09/10

CEC-COILS®

CEC 國際控股有限公司
CEC INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號 : 759)

ANNUAL REPORT 2009/2010 年報

CEC is a small and medium-sized enterprise that upholds "progressive, strong, dedicated" as its main operating principle and specialises in design to manufacture of a wide range of electronic coils as its core industry. Founded in 1979, it has been evolving progressively to become one of the major manufacturers of electronic coils supplying to a multiple of industry segments, including telecommunications and information technology equipment, data networking and power conversion applications, office automation equipment, audio and visual products, home electrical and power equipment.

CEC is an experienced and competitive player in the electronic coils arena, with large-scale manufacturing facilities, research and development, sales and customer services based in Mainland China and marketing centers established in Hong Kong China, Mainland China, Taiwan China, Singapore and India.

Listed on The Stock Exchange of Hong Kong Limited since November 1999, CEC expects to progressively reinforce its corporate governance through the supervision by the capital market. CEC is also dedicated to achieving sustainable development for its core business, manufacturing of electronic coils, and to generate stable long-term return on shareholders' investment.

Corporate Profile
公司簡介

CEC為一家奉行「循序、堅定、敬業」經營理念的中小型企業，以設計至生產各類型電子線圈為主核心產業。本集團始創於1979年，經過多年來不斷循序發展，至今已成為較具規模電子線圈製造商，產品市場來自包括電訊及資訊科技設備、數據網絡及電壓轉換技術、辦公室自動化設備、影音產品，以及家居電器及電動工具等不同行業。

CEC於電子線圈業務經驗豐富且具競爭力，在中國內地設有具規模之生產設施、研發部門、銷售與客戶服務、及遍佈中國香港、中國內地、中國台灣、新加坡及印度之市場推廣中心。

CEC於1999年11月在香港聯合交易所有限公司上市，期望通過資本市場的監督，有序按步完善公司之企業管治水平。並以努力不懈的態度持續發展企業之核心業務－電子線圈製造，為股東帶來穩紮之長期投資回報。

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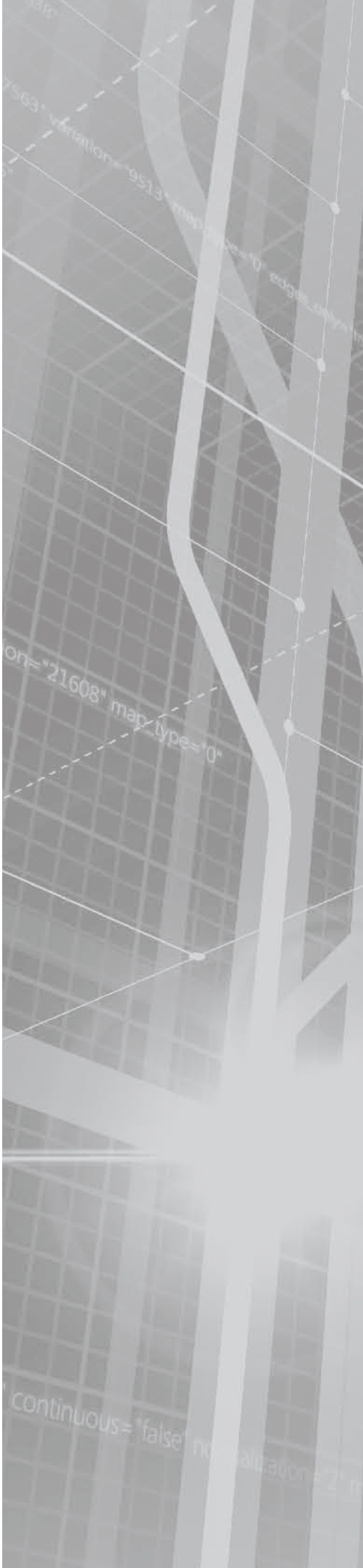


Corporate Information

DIRECTORS

Executive Directors
Mr. Lam Wai Chun
(Chairman and Managing Director)
Ms. Tang Fung Kwan
Ms. Li Hong
Mr. Chung Wai Kin
(appointed on 29 September 2009)

Independent Non-executive Directors
Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Dr. Tang Tin Sek
Mr. Goh Gen Cheung
Professor Zhu Yuhe

AUDIT COMMITTEE

Dr. Tang Tin Sek *(Chairman)*
Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung

REMUNERATION COMMITTEE

Mr. Au Son Yiu *(Chairman)*
Dr. Tang Tin Sek
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung
Professor Zhu Yuhe
Ms. Tang Fung Kwan

COMPANY SECRETARY

Ms. Ho Wing Yi

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

PRINCIPAL BANKERS

China Construction Bank
Standard Chartered Bank
(Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building
110 How Ming Street
Kwun Tong, Kowloon
Hong Kong

HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu
Dong Feng Zhen
Zhongshan
Guangdong
Mainland China

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar
Computershare Hong Kong
Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Websites: http://www.0759.com
http://www.ceccoils.com
http://www.irasia.com/listco/hk/cecint

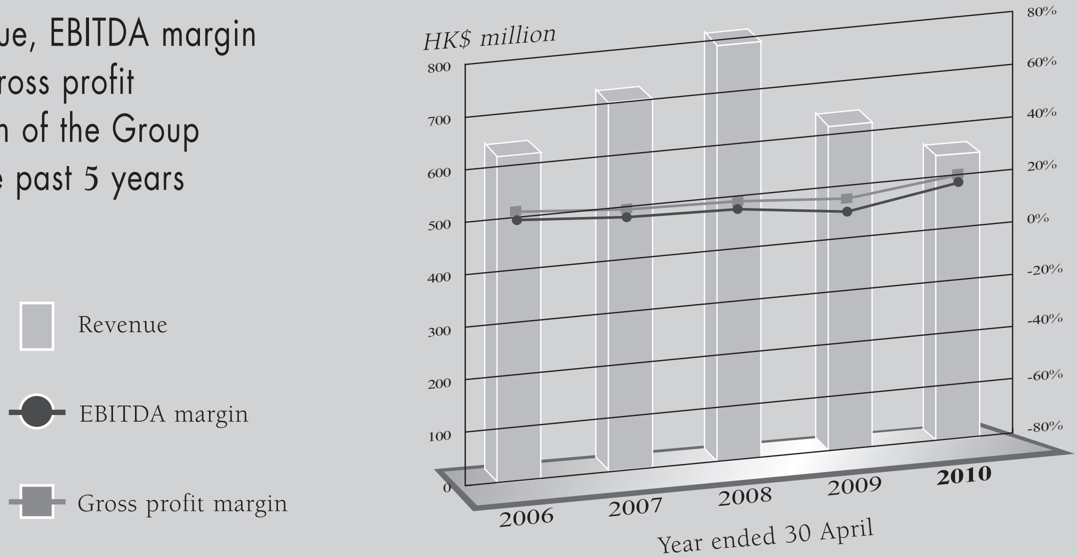
E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 759

Financial Highlights

Revenue, EBITDA margin and gross profit margin of the Group for the past 5 years



	As at 30 April/ Year ended 30 April		
	2010	2009	% Change
	HK$'000	*HK$'000*	
Revenue	**537,352**	614,532	–12.6
Profit/(loss) for the year of the Company	**10,291**	(24,802)	N/A
Total assets	**649,606**	706,858	–8.1
Net tangible assets	**418,772**	406,574	+3.0
Per Share Data			
Basic earnings/(loss) per share (HK cents)	**1.44**	(3.46)	N/A
Net tangible assets per share (HK cents)	**58.4**	56.7	+3.0
Financial Ratios			
Gross profit margin (%)	**19.9**	15.4	+4.5
EBITDA margin (%)	**17.2**	9.7	+7.5
Current ratio	**1.28**	1.17	+0.11
Interest coverage ratio	**12.84**	4.99	+157.3
Gearing ratio	**0.24**	0.33	–27.3

Definitions

Basic earnings/(loss) per share $\dfrac{\text{Profit/(loss) for the year of the Company}}{\text{Weighted average number of the issued shares}}$

Net tangible assets per share $\dfrac{\text{Net tangible assets}}{\text{Number of shares as at the end of year}}$

Gross profit margin (%) $\dfrac{\text{Gross profit x 100\%}}{\text{Revenue}}$

EBITDA margin (%) $\dfrac{\text{Operating profit/(loss) plus depreciation and amortisation less interest income x 100\%}}{\text{Revenue}}$

Current ratio $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

Interest coverage ratio $\dfrac{\text{Operating profit/(loss) plus depreciation and amortisation}}{\text{Interest expense less interest income}}$

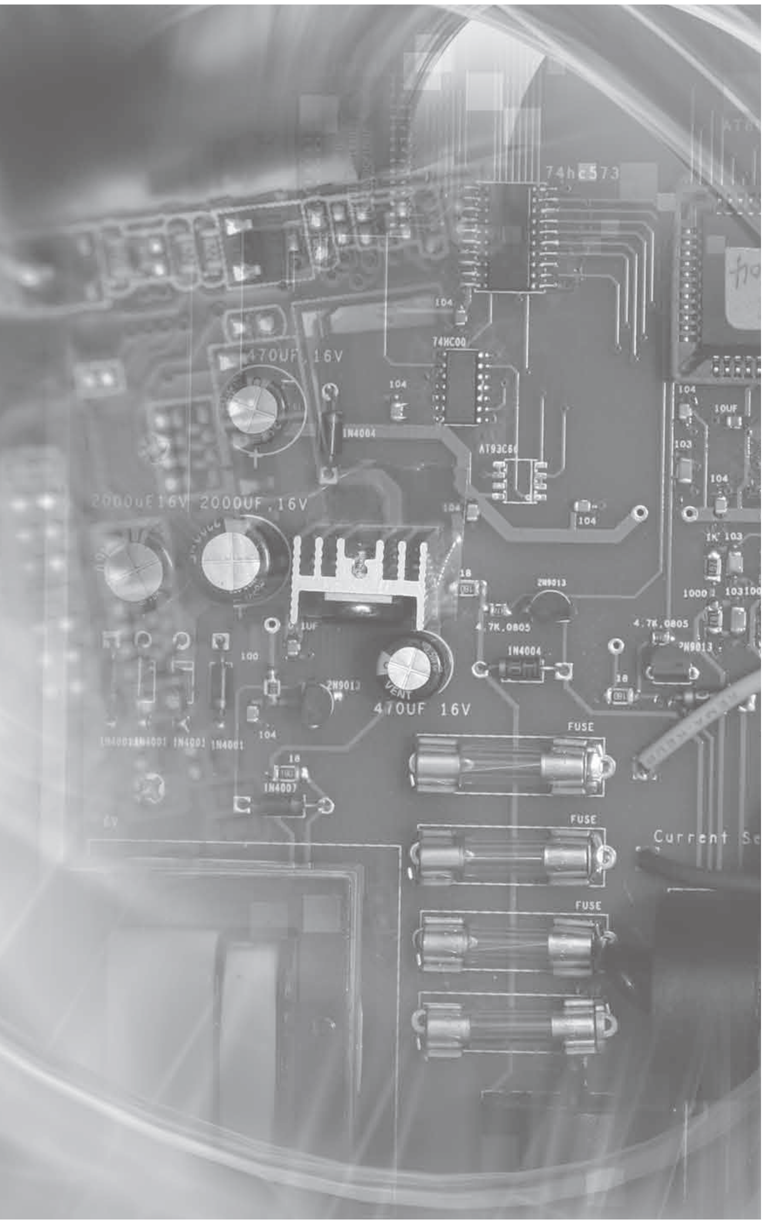
Gearing ratio $\dfrac{\text{Total borrowings less bank balances and cash}}{\text{Total borrowings less bank balances and cash plus total equity}}$

Five-Year Financial Summary

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) attributable to:					
– Equity holders	**10,291**	(24,802)	23,601	23,810	23,296
– Minority interests	**–**	–	(352)	(897)	–
Total assets	**649,606**	706,858	859,767	727,587	721,667
Total liabilities	**(230,834)**	(300,284)	(431,904)	(353,336)	(380,691)
	418,772	406,574	427,863	374,251	340,976

Management Discussion and Analysis



Dear Shareholders,

On behalf of the Board of Directors (the "Board") of CEC International Holdings Limited (the "Company"), I am pleased to present the eleventh annual report of the Company and its subsidiaries (collectively referred to as the "Group") since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 15 November 1999.

2009/2010 SUMMARY OF RESULTS

– Revenue decreased by 12.6% to HK$537,352,000 (2009: HK$614,532,000);

– Profit for the year of the Company was HK$10,291,000 (2009: loss of HK$24,802,000);

– Basic earnings per share was HK1.44 cents (2009: basic loss per share of HK3.46 cents);

– Net cash inflow from operating activities decreased by 10.3% to HK$88,382,000 (2009: HK$98,522,000); and

– Gross profit margin increased by a percentage of 4.5 to 19.9% (2009: 15.4%).

DIVIDEND

No interim and final dividend was declared for the year ended 30 April 2010 (2009: Nil).

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 September 2010 to Tuesday, 28 September 2010 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the annual general meeting of the Company to be held on Tuesday, 28 September 2010, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 20 September 2010.

BUSINESS REVIEW

Since the 2008 financial tsunami, the financial year 2009/2010 was another year with great challenge. From the various uncertainties among the economic environment from the year start to the unexpected strong resurgent in the second half of the year, the sharp and unforeseeable changes posted huge stress to the Group's operation.

The economic crisis that swept around the world has provided us with the prime opportunity to revisit the Group's business development model. On getting out of the crisis, operating structure of the Group has been streamlined; sales direction is more focused and clear; business partnering relations with suppliers and customers have been tightened.

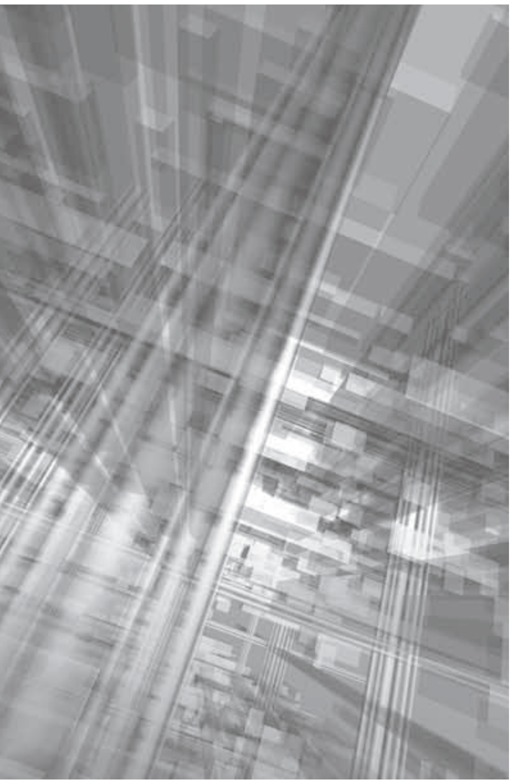
Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

In the year under review, revenue of the Group amounted to HK$537,352,000 (2009: HK$614,532,000), slipping 12.6% as compared with that of last year. Despite the revenue dropped, the Group recorded a gross profit of HK$106,691,000, raising 12.9% as compared with the HK$94,514,000 of the corresponding period last year. Gross profit margin also rose by a percentage of 4.5 from 15.4% to 19.9%. The decrease in revenue was an expected outcome resulting from eliminating non-profitable products and reorganizing customer structure, which were the measures set out years ago and substained by the Group. These measures enabled the Group to enjoy more flexibility in product pricing. The optimization of product pricing together with the interim lowering of the commodity and raw material prices after the financial tsunami had contributed to the uplift of the overall gross profit.

For the year ended 30 April 2010, the operating profit of the Group was HK$25,633,000 (2009: loss of HK$11,854,000), with the operating profit margin amounting to 4.8%. EBITDA for the year was HK$92,528,000 (2009: HK$59,780,000), representing 17.2% over the revenue. That ratio of last year was 9.7%. The increase of that ratio reflected partly the growth of gross profit as well as the fall of management and other operating expenses. Consolidated profit for the year was HK$10,291,000 (2009: loss of HK$24,802,000).

Management Discussion and Analysis



BUSINESS REVIEW *(continued)*

The economic crisis has indirectly accelerated the Group's move to restructure those plants which were running inefficiently or with positioning overlapped with one another. In the process of optimizing customer base and product mix, some of the production plants resulted in overcapacity or market positioning overlapped. Since 2008, the Group has started to integrate the Kunshan and the two Dongguan plants into the Zhongshan main plant. Integration of production facilities had come to an end following the completion of deregistration procedure of the Huangjiang plant by the end of this year. Besides, the Group also implemented various business scale reorganization and cost reduction measures. The Group's fixed cost reduced gradually with the restructuring activities began to prove its effectiveness. Various reorganization and optimization initiatives implemented over the two financial years have turned the Group in having a simpler and clearer production structure, while at the same time reduced the dual management cost arising from the overlapping structure. During the year, general and administrative expenses decreased from HK$93,243,000 in last financial year to HK$73,396,000, slipping 21.3%. General and administrative expenses to revenue ratio also decreased from 15.2% last year to 13.7%.

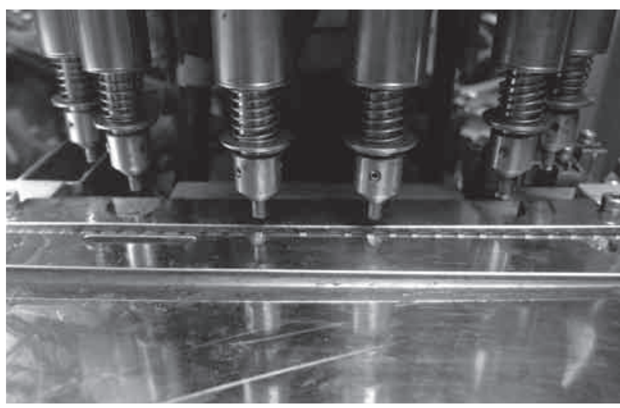
Over the past two years, the focus of the Group's management was to survive the once in a century global economic crisis. It is generally believed that, to date, the most difficult times had gone and economic performance have been improved significantly. However, there are still uncertain factors surrounding the external environment and the fundamentals of the recovery remain unstable even the hardest time has gone. The Group will adhere strictly to its cautious, optimism and well-prepared approaches in maintaining a better risk management and proactively lowering its total liability. At the same time, the Group will carry out series of process improvement and cost saving programs to strengthen its sustainable business model. Under the present market condition, we considered that a sustainable operation is the key to success; to achieve that, we shall keep up with a reasonable business scale and avoid excessive expansion.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

The PRC Government has been reiterating its strong determination in eliminating low-end and labour intensive industries. Besides, the labour cost continued to escalate in Mainland China. The Group believed that the past low-automated operation mode which required massive employment of labour for revenue growth was outdated. The economic crisis accelerated the Group's decision in stepping back from those labour intensive and low cost-effective products. The Group will work closely with its customers to stick to design products that will allow automated production from product development phase, thereby enhancing productivity and efficiency so as to escalate the entire profitability.

The implementation of series of cost improvement initiatives had succeeded in lifting the Group's gross profit margin and strengthening its financial position. During the year, the Group effectively controlled its working capital, in particular the inventory. Despite commodity price reached its record high since the economic tsunami, the Group's total inventory level had lowered gradually. The total inventory reduced from HK$92,084,000 as at the financial year-end date of last year to HK$82,605,000 as at the financial year-end date of this year. In the meantime, the Group's operating cash remained strong. The net cash inflow from operating activities for the year was HK$88,382,000, which was utilized in full in reducing the banking liability. The net cash outflow from financing activities for the year was HK$86,983,000, which indicates that the Group is highly determined in reducing its leverage ratio and strengthening its financial security. Interest expenses was also lowered to HK$7,268,000 (2009: HK$12,543,000) correspondingly during the period.



Management Discussion and Analysis

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2010, the Group's credit facilities granted from banks (excluding that of foreign exchange derivative financial instrument) amounted to HK$283,221,000 (2009: HK$396,613,000), of which HK$100,686,000 (2009: HK$138,239,000) remained unutilised. The balance and the credit limit of the non-revolving loan were decreasing in phase after repaying the principle on schedule. The revolving facilities as at 30 April 2010 amounted to HK$209,300,000 (2009: HK$224,300,000), of which HK$108,614,000 (2009: HK$86,061,000) was utilized. The utilized non-revolving loan facilities amounted to HK$73,921,000 (2009: HK$172,313,000), declining 57% as compared with that of last year. As at 30 April 2010, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$52,760,000 (2009: HK$57,902,000). The utilized banking facilities amounting to HK$132,535,000 were secured by charges on the Group's certain accounts receivables, pledges of the Group's bank deposits and available-for-sale financial assets. In addition, as at 30 April 2010, the Group has fully complied with certain restrictive financial covenants agreed with the financing banks.

As at 30 April 2010, the Group's total borrowings granted from banks and financial institutions amounted to HK$182,104,000 (2009: HK$255,556,000), of which HK$169,505,000 (2009: HK$201,544,000) was current, included the portion of long-term borrowings repayable within one year, and HK$12,599,000 (2009: HK$54,012,000) was non-current and will be repayable within a period of more than one year but not exceeding five years. The Group had no non-current borrowings which will be repayable within a period exceeding five years. As at 30 April 2010, the Group's gearing ratio* dropped to 0.24 (2009: 0.33). Moreover, the Group did not have any contingent liabilities (2009: Nil) as at the same date. In the foreseeable future, the Group will maintain its strategy of actively reducing debts so as to strengthen its ability to cope with risk.

(The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Interest Expenses

The continuous decrease of debts reduced the Group's interest expenses by HK$5,275,000. For the year ended 30 April 2010, the Group's interest expenses amounted to HK$7,268,000 (2009: HK$12,543,000), reducing approximately 42% as compared with that of last year.

Financial Resources and Capital Structure

The Group's cash flow for year ended 30 April 2010 is summarized as follows:

Cash Flow Summary

	2010	2009
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**88,382**	98,522
Net cash outflow from investing activities	**(11,722)**	(38,136)
Net cash outflow from financing activities	**(86,983)**	(100,851)
Decrease in cash and cash equivalents and bank overdrafts	**(10,323)**	(40,465)

As at 30 April 2010, the net current assets was HK$60,543,000 (2009: HK$40,301,000) and the current ratio was 1.28 (2009: 1.17).

Charges On Assets

As at 30 April 2010, certain assets of the Group with an aggregate carrying value of approximately HK$60,613,000 (2009: HK$50,871,000) were pledged to secure banking facilities of the Group.

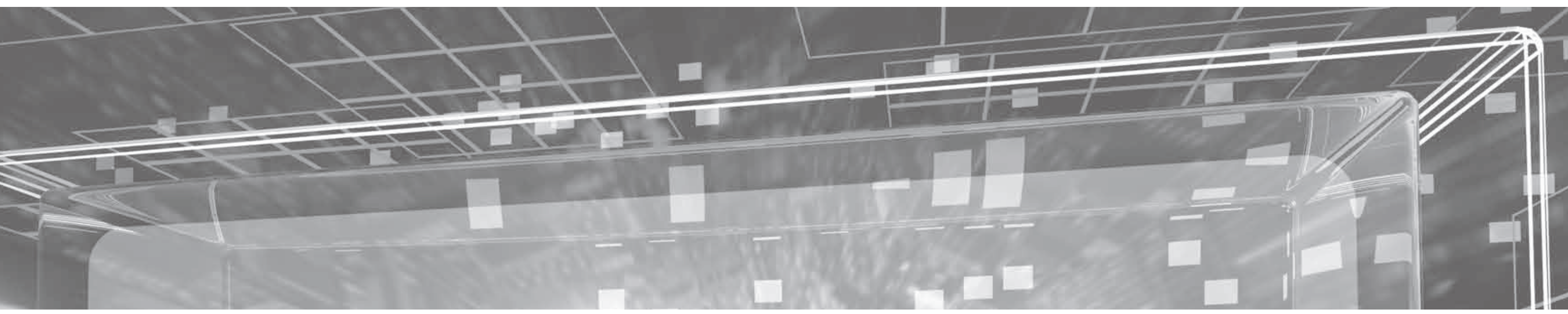
FINANCIAL REVIEW *(continued)*

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are primarily denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments are primarily denominated in Hong Kong dollar, Renminbi and United States dollars. If Renminbi has a remarkable appreciation, the Group might experience additional cost pressure. In this connection, the Group will closely monitor the fluctuation trend of Renminbi.

EMPLOYEES

As at 30 April 2010, the Group employed approximately 4,800 staff (2009: 4,700), of which 4,340 (2009: 4,175) are production staff and 460 (2009: 525) are management staff at all levels. The remuneration of the employees is determined by reference to market benchmark, individual performance, academic qualification and work experience, subject to periodic review. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation. Pursuant to the Company's share option scheme, options may be granted to eligible employees to subscribe for shares in the Company. During the period under review, no option was granted under the scheme (2009: Nil).



Management Discussion and Analysis

CORPORATE SOCIAL RESPONSIBILITY

The Group has taken active role in corporate citizenship practice through participating in various forms of charity, volunteer services and health activities, encouraging its staff to care for the society and promoting their mental and physical development in a healthier and balanced way. The Group has also dedicated in participating charitable community activities by granting donations to charitable organizations and education institutions. In 2009, Coils Electronic Co., Ltd, the main subsidiary of the Group, was awarded the "Caring Company" logo by the Hong Kong Council of Social Service for the third consecutive year.

FUTURE PROSPECTS

The outbreak of sovereignty debt crisis in some European countries led to tremendous turbulence in the financial market worldwide with uncertainty clouded the external environment; even there was satisfactory growth in the global economic data in the recent few months. Electronic consumer products, including home appliance, personal communications device, computer and other peripherals, highly efficient lighting products, etc, are the end market of the Group's coil products. Fluctuation of the electronic consumer product market is closely related to the then prevailing economic performance. The Group will encounter greater challenge if the market adverse situation exacerbates.

Management Discussion and Analysis

FUTURE PROSPECTS *(continued)*

The cost lifting pressure shall not be neglected. Major raw materials and components prices rebounded sharply from the trough post-economic tsunami. Although the commodity price is determined by the global economy, the continuation of the such high level of prices, or soaring to even higher, shall undermine the Group's profit. In addition, the sharp increase of domestic labour cost together with the repeating labour dispute will inevitably turning the operating cost higher and posting additional pressure to the management. The Group shall step up discussions with its customers: eliminate excessive labor-intensive products and production lines, allocate resources in developing and manufacturing more automated products to improve its general production efficiency to offset some unfavourable cost factors.

Observing the recent financial crisis, economic condition underwent sharp change over a relatively short period of time. The speedy and urgency of such change exceed all financial institutions and governments estimation. The Group is geared to adopt a prudent and flexible approach to prepare for each new day. We have been making active reorganization over the recent two years and streamlined our structure as compared to that before the financial tsunami. After such attack, we have a clearer and more concentrated business strategy with the debt level also improved significantly. Riding on a group of long-term and strong partnering customers and suppliers, together with our advanced and efficient production equipment, we are well-equipped to form a strong defense network to protect against any possible future shocks. We will also continue to lower our total borrowing level proactively. Under the present operating environment and unpleasant global economic tide, we will be more pragmatic in focusing on our core segment.

Management Discussion and Analysis

APPRECIATION

On behalf of the management, I have to extend my sincere thanks to all staff who have contributed to the Group over the year. We have to express our gratitude for the long-term support from our customers, suppliers and the banks.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 9 August 2010

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. LAM Wai Chun, aged 51, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Chairman and Managing Director of the Company since 4 October 1999 and 29 September 2009 respectively. Mr. Lam found the Group in 1979 and has over 39 years of experience in the coils manufacturing industry. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited and the managing director of Coils Electronic (Zhong Shan) Co., Ltd.

Ms. TANG Fung Kwan, aged 40, was appointed as an executive director of the Company with effect from 29 September 1999. Ms. Tang is also a director of Coils Electronic (Zhong Shan) Co., Ltd. She is also a member of the Remuneration Committee and the chairman of the Accounts Receivable Supervisory Committee of the Company. She has been admitted to the degree of Bachelor of Social Sciences with Honours in The University of Hong Kong in 1992, the degree of International Master of Business Administration in The University of South Australia, Australia, in 1998, the degree of Bachelor of Laws (LLB) in The Manchester Metropolitan University, United Kingdom, in 2006, and the Postgraduate Certificate in Laws in The University of Hong Kong in 2008. Ms. Tang joined the Group in 1993.

Ms. LI Hong, aged 41, was appointed as an executive director of the Company with effect from 1 May 2005. She is also a director and the general manager of Xiamen Coils Electronic Co., Ltd. and is responsible for the overall operation management of Xiamen Coils Electronic Co., Ltd. Ms. Li obtained a bachelor degree of English literature from Changchun Teacher's College, the Mainland China and a master of business administration from The University of Northern Virginia, the United States of America, in 2003. Ms. Li joined the Group in 1994.

Mr. CHUNG Wai Kin, aged 29, was appointed as an executive director of the Company with effect from 29 September 2009. He is responsible for co-ordinating the Group's information technology development and application functions. Mr. Chung has been admitted to the degree of Bachelor of Information Engineering with Honours and the degree of Master of Science in System Engineering and Engineering Management in The Chinese University of Hong Kong in 2002 and 2007 respectively. Mr. Chung joined the Group in 2002.

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 64, was appointed as an independent non-executive director of the Company with effect from 29 September 1999. Mr. Au is also a member of the Audit Committee and the Accounts Receivable Supervisory Committee as well as the chairman of the Remuneration Committee of the Company. Mr. Au has extensive experience in the securities industry. He is a director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and was a consultant to Dao Heng Securities Limited (1989-2008). He is also an independent non-executive director of Texwinca Holdings Limited and Chun Wo Development Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited. In addition, Mr. Au is the Ex-Deputy Chairman of Hong Kong Clearing (1992-1994), the Ex-Council member of the Stock Exchange of Hong Kong Limited (1988-1994) and was a member of the Election Committee for the financial services subsector election for the 1998 Legislative Council.

Directors and Senior Management Profile

Mr. LEE Wing Kwan, Denis, aged 65, was appointed as an independent non-executive director of the Company with effect from 29 September 1999 and is a member of the Audit Committee, the Remuneration Committee and the Accounts Receivable Supervisory Committee of the Company. He is a principal consultant of Dynamic Linkage Management Consultants and a fellow member of The Hong Kong Institute of Directors. With his extensive experience in trade and industry, Mr. Lee represented Hong Kong business community and gave presentations at the APEC SME Ministerial Meetings in the Philippines, Canada and New Zealand. The other major past offices of Mr. Lee in public services include the past chairman of the Small and Medium Enterprises Committee of the HKSAR Government (1996-2000), a former council and general committee member of Hong Kong General Chamber of Commerce (1994-2002), a former member of the Executive Committee of the Hong Kong Coalition of Service Industries and Trade and Industry Board of the HKSAR Government.

Dr. TANG Tin Sek, aged 51, was appointed as an executive director of the Company with effect from 29 September 1999, and has been re-designated as a non-executive director and an independent non-executive director of the Company with effect from 1 January 2000 and 3 June 2003 respectively. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Tang is a Certified Public Accountant practising in Hong Kong and a partner of Terence Tang & Partners. He has over 29 years' experience in corporate finance, business advisory, financial management and auditing. He is also a member of The Chinese Institute of Certified Public Accountants, the Institute of Chartered Accountants in Australia and The Chartered Association of Certified Accountants in the United Kingdom. He obtained a Bachelor of Science degree from The University of Hong Kong in 1980, a Master of Business Administration degree from The University of Sydney, Australia in 1990 and a Doctor of Accountancy degree from The Hong Kong Polytechnic University in 2004. Dr. Tang is an independent non-executive director of Sinofert Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. He was also an independent non-executive director of Interchina Holdings Company Limited, New Smart Energy Group Limited and Wai Chun Group Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited, until 1 April 2009, 10 June 2009 and 28 September 2009 respectively.

Mr. GOH Gen Cheung, aged 63, was appointed as an independent non-executive director of the Company with effect from 1 December 2005 and is a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Goh has over 30 years of treasury, finance and banking experience. He is an associate member of The Hong Kong Institute of Bankers and obtained a Master's degree in Business Administration from the University of East Asia, Macau in 1987. Mr. Goh is also an independent non-executive director of Shinhint Acoustic Link Holdings Limited, Beijing Properties (Holdings) Limited (formerly known as Peaktop International Holdings Limited), both of which are companies listed on The Stock Exchange of Hong Kong Limited, and Standard Bank Asia Limited. He was also an independent non-executive director of Karce International Holdings Company Limited and China Flavors and Fragrances Company Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited, until 8 February 2009 and 16 December 2009 respectively.

Directors and Senior Management Profile

Professor ZHU Yuhe, aged 72, was appointed as an independent non-executive director of the Company with effect from 1 April 2007 and is a member of the Remuneration Committee of the Company. Professor Zhu is a professor of School of Humanities and Social Sciences in Tsinghua University ("Tsinghua") in charge of some advanced courses relating to China's conditions and China's political economics. He is the Vice Chairman of 中國老教授協會 (China Senior Professor Association) and the Vice Chairman of 國傑老教授科學技術諮詢開發研究院 (Guojie Senior Professor Science and Technology Development Academy). Professor Zhu graduated from Tsinghua in electrical engineering in 1960 and was subsequently sent to Renmin University of China for further studies on modern history of China by Tsinghua. Professor Zhu has 45 years' extensive teaching experience in history, philosophy and political economics at Tsinghua and also held offices in Tsinghua, including the Director of Department of History, the Vice Dean of School of Humanities and Social Sciences and the teaching adviser of the President of Tsinghua during various periods.

SENIOR MANAGEMENT

Mr. CHAN Yuk Lun, aged 42, is the head of accounts management responsible for the accounts management. He has been admitted to the degree of Bachelor of Business Administration with Honours in Bolton Institute, United Kingdom, in 2000 and the degree of Master of Business Administration in The Open University of Hong Kong in 2005. Mr. Chan joined the Group in 1992.

Mr. WANG Zhengwen, aged 42, is the head of finance of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the accounts management of Zhongshan main plant. He graduated from the Beijing University of Finance and Economics in 1990 and obtained the qualification of accountant from the Ministry of Finance, People's Republic of China. Mr. Wang joined the Group in 1998.

Ms. HO Wing Yi, aged 36, is the head of accounting of the Group, responsible for the Group's financial reporting and corporate finance functions. Ms. Ho is also the company secretary of the Company. She worked in an international firm of certified public accountants and has over 7 years of experience in auditing. Ms. Ho has been admitted to the degree of Bachelor of Accountancy with Honours and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 1996 and 2007 respectively. She is also a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho joined the Group in 2003.

Mr. YU Pui Chuen Patrick, aged 31, is the head of business responsible for the management of sales functions. Mr. Yu has been admitted to the degree of Bachelor of Applied Science in The University of Toronto, Canada, in 2001 and the degree of Master of Business Administration in The Hong Kong University of Science and Technology in 2008. Mr. Yu joined the Group in 2004.

Ms. POH Po Leng, aged 41, is the head of business of CEC-Coils Singapore Pte Ltd. responsible for the development of the Group's business in the Far East. She previously worked in several prestigious Japanese electronic product manufacturers. Ms. Poh joined the Group in 2000.

Ms. HUANG Shaobing, aged 31, is the head of business of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the management of sales functions of Zhongshan main plant. She has over 12 years of working experience in management of coil products procurement as well as sales and marketing. Ms. Huang joined the Group in 1998.

Directors and Senior Management Profile

Mr. HE Guogao, aged 44, is the chief engineer responsible for the management of engineering and technological development functions. He has been admitted to the degree of Bachelor of Engineering in Automation in the Lanzhou University of Technology (formerly known as the Gansu University of Technology), Mainland China, in 1988 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. He joined the Group in 2001.

Mr. ZHANG Tinghua, aged 35, is the head of product development of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the product development functions of Zhongshan main plant. He has been admitted to the degree of Bachelor of Engineering in Mechanical Manufacturing Technic and Equipment in Liaoning Technical University, Mainland China in 1998. Mr. Zhang joined the Group in 2002.

Mr. ZHAO Xiangqun, aged 48, is the head of quality assurance responsible for the management of quality assurance functions. He has been admitted to the degree of Bachelor of Science in Physics and the degree of Master of Science in Gravitational Physics in the Sun Yat-Sen University, Guangdong Province, Mainland China, in 1986 and 1989 respectively. Mr. Zhao joined the Group in 2001.

Mr. CAO Huizhong, aged 40, is the head of calibration responsible for the management of calibration functions. He has been admitted to the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Cao joined the Group in 1994.

Ms. LAI Wanru, aged 38, is the head of material control responsible for the purchase, materials procurement and logistics management functions of the Group. She has over 20 years of experience in materials procurement, coils production as well as sales and marketing. Ms. Lai joined the Group in 1990.

Ms. MAI Shaoling, aged 47, is the head of factory affairs of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the factory affairs management functions of Zhongshan main plant. She has over 27 years of experience in administration. Ms. Mai joined the Group in 1983.

Mr. JIANG Pingyuan, aged 41, is the head of 南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) responsible for the overall operation management of the Group's production facilities in Nanjing. He has over 17 years of experience in production management. Mr. Jiang joined the Group in 1993.

Ms. WONG Sin Kam, aged 48, is the head of property department responsible for the property management functions. She has over 28 years of working experience in related field. Ms. Wong joined the Group in 1990.

Mr. LAO Xin, aged 38, is the head of administration of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the administration management functions of Zhongshan main plant. He has been admitted to the degree of Bachelor of History in the Renmin University of China, Mainland China in 1994 and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Lao joined the Group in 1995.

Mr. HO Man Lee, aged 30, is the head of administration responsible for the administration and personnel management functions. Mr. Ho has been admitted to the degree of Bachelor of Computer Science with Honours in The Hong Kong University of Science and Technology in 2001 and the degree of Master of Business Administration in The Chinese University of Hong Kong in 2006. Mr. Ho joined the Group in 2001.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company believes that good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance. The Company has adopted the principles and complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 30 April 2010, except for the following deviations:

1. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

   Three independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation at the annual general meetings of the Company at least once every three years in accordance with the Bye-laws of the Company. The Company intended to comply with Code Provision A.4.1 by entering into a letter of appointment with specific term with each of the non-executive directors of the Company upon their respective re-election. The other two independent non-executive directors have entered into their respective letters of appointment with specific term upon their re-election at the annual general meeting held on 29 September 2009.

2. Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

   Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. This constitutes a deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, as Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code at the applicable times for the period from 1 May 2009 to 30 April 2010.

Corporate Governance Report

BOARD OF DIRECTORS

The Board currently comprises four executive directors, namely Mr. Lam Wai Chun (Chairman and Managing Director), Ms. Tang Fung Kwan, Ms. Li Hong and Mr. Chung Wai Kin; and five independent non-executive directors, namely Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis, Mr. Goh Gen Cheung and Professor Zhu Yuhe, representing more than half of the Board and including one director with appropriate professional qualifications, accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive directors are independent. To the best knowledge of the directors, the members of the Board have no financial, business, family or other material/relevant relationship with each other. Mr. Au Son Yiu and Mr. Lee Wing Kwan, Denis have served as independent non-executive directors for more than nine years. Pursuant to Code Provision A.4.3 of the Code, further appointments of Mr. Au and Mr. Lee as the independent non-executive directors should be subject to separate resolutions to be approved by the shareholders of the Company. In this regard, resolutions were passed at the annual general meeting of the Company held on 29 September 2009 to elect Mr. Au and Mr. Lee as independent non-executive directors.

In accordance with the Company's Bye-laws, one-third of the directors shall retire from office by rotation at each annual general meeting and each of their re-election is subject to a vote of shareholders. Every director is subject to retirement by rotation at least once every three years.

The Board determines the objectives, strategies and policies of the Group. In addition, the Board monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. The day-to-day management of the Group's business is delegated to the Managing Director and the management of the Group under the supervision of the executive directors of the Company. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, financial objectives, dividend policy, changes in accounting policies, material acquisition and disposal of assets, investments and capital projects, banking facilities, provision of guarantees and indemnities, determination and adoption of documents (including the publication of announcements, reports and statements to shareholders) that are required by the Company's constitutional documents, statutes and other applicable regulations and monitoring the compliance with corporate governance practices and applicable laws and regulations as well as the financial covenants imposed by banks.

With the support of the executive directors and the management of the Group, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate information, which are complete and reliable, in a timely manner. Each of the directors keeps abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Important updates are provided to directors when necessary to ensure that they are aware of the business and regulatory environment in which the Group conducts its business.

BOARD OF DIRECTORS *(continued)*

The Board meets regularly to review the financial and operating performance of the Group each financial year. The directors may attend Board meetings in person or by way of telephone or other electronic means of communication in accordance with the Company's Bye-laws. During the year ended 30 April 2010, five Board meetings were held and the individual attendance of each director is set out below:

Directors	**Number of meetings attended/held**
Executive Directors	
Lam Wai Chun *(Chairman and Managing Director)*	5/5
Tang Fung Kwan	4/5
Li Hong	5/5
Chung Wai Kin *(appointed on 29 September 2009)*	3/3
Independent Non-Executive Directors	
Au Son Yiu	5/5
Tang Tin Sek	5/5
Lee Wing Kwan, Denis	5/5
Goh Gen Cheung	5/5
Zhu Yuhe	5/5

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Before 29 September 2009, Mr. Lam Wai Chun is the Chairman of the Board and Ms. Tang Fung Kwan, the Managing Director of the Company, is the chief executive officer described in Appendix 14 to the Listing Rules. Due to the re-allocation of the respective duties of the executive directors of the Company, Mr. Lam Wai Chun has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities of the CEO since then. As Mr. Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders.

NON-EXECUTIVE DIRECTORS

All the five non-executive directors are independent. Three of them have not been appointed for a specific term, but are subject to retirement by rotation at the annual general meetings of the Company at least once every three years in accordance with the Bye-laws of the Company. This means that the specific term of appointment of the three directors cannot exceed three years. The other two independent non-executive directors have entered into their respective letters of appointment with specific term upon their re-election at the annual general meeting held on 29 September 2009.

Corporate Governance Report

REMUNERATION OF DIRECTORS

The Board established a Remuneration Committee on 18 March 2005 with written terms of reference, which are available on the Company's website (www.0759.com), setting out the duties (containing the minimum specific duties as set out in the Code) and authority of the Remuneration Committee. The principal duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for all remuneration and fees of directors of the Company and senior management of the Group, to determine the specific remuneration packages of all executive directors of the Company and senior management of the Group, including benefits in kind, pension rights and compensation payments, and to make recommendations to the Board of the remuneration of non-executive directors of the Company.

In determining the emolument of directors of the Company and senior management of the Group, the Remuneration Committee takes into consideration factors such as salaries or fees paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere in the Group, desirability performance-based remuneration, the operating results of the Group, individual performance and prevailing market conditions. The director's fee of each of the independent non-executive directors is subject to the approval of the Company's shareholders at the annual general meetings.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out under the section headed "Share option scheme" on pages 29 to 30.

During the year ended 30 April 2010, the works performed by the Remuneration Committee included making recommendation to the Board of the directors' fees of independent non-executive directors, the additional remuneration for each of the chairman of the Audit Committee and the Remuneration Committee and the letters of appointment for independent non-executive directors, reviewing the remuneration policy of the Group, reviewing the remuneration package of the senior management of the Group, approving the remuneration (including the relevant service agreements and supplemental agreements, if any) of executive directors and certain members of the senior management as well as reviewing and determining the upper limit of revised salary for the senior management. No director has taken part in any discussion about his/her own remuneration.

The Remuneration Committee currently comprises six members including one executive director, namely Ms. Tang Fung Kwan, and five independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis, Mr. Goh Gen Cheung and Professor Zhu Yuhe.

During the year ended 30 April 2010, the Remuneration Committee met three times and the individual attendance of each member is set out below:

Members	**Number of meetings attended/held**
Au Son Yiu (*Chairman*)	3/3
Tang Tin Sek	3/3
Lee Wing Kwan, Denis	3/3
Goh Gen Cheung	3/3
Zhu Yuhe	3/3
Tang Fung Kwan	3/3

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee for the time being. The Board reviews its composition from time to time to ensure that the Board has a balance of knowledge and experience appropriate for the requirements of the business of the Group. The Board is responsible for selection and approval of candidates for appointment as directors to the Board. Candidates are identified through referral and internal promotion. Candidates to be nominated as directors of the Company are based on independence, qualifications, knowledge, industry experience, personal skills, integrity, personal ethics and time commitment as assessed by all the directors. During the year ended 30 April 2010, a Board meeting was held for the appointment of Mr. Chung Wai Kin as new director to be proposed for shareholders' approval after the assessment of selection criteria was made by all the directors. All the directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan, Ms. Li Hong, Mr. Au Son Yiu, Dr. Tang Tin Sek, Mr. Lee Wing Kwan, Denis, Mr. Goh Gen Cheung and Professor Zhu Yuhe, attended the Board meeting.

AUDITOR'S REMUNERATION

During the year ended 30 April 2010, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$1,325,000 for statutory audit services and approximately HK$162,000 for non-audit services (comprising tax and other services) rendered to the Group.

AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (containing the minimum specific duties as set out in the Code), which are available on the Company's website (www.0759.com). The Audit Committee currently comprises four independent non-executive directors, namely Dr. Tang Tin Sek (chairman of the Audit Committee), Mr. Au Son Yiu, Mr. Lee Wing Kwan, Denis and Mr. Goh Gen Cheung. The chairman of the Audit Committee has the appropriate professional qualifications and extensive experience in auditing and financial management matters. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual report of the Company for the year ended 30 April 2010.

The principal duties of the Audit Committee are to review and oversee the Group's financial reporting system, internal control procedures, risk management, internal and external audit functions, to review the Group's financial information and to oversee the relationship with external auditors.

Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee meets at least twice per financial year in accordance with its terms of reference. During the year under review, the Audit Committee discharged its duties by reviewing the audit findings, systems of internal control of the Group, internal audit plan and schedule, internal audit reports on the effectiveness of internal control of the Group and the financial reporting matters (including announcements, financial reports and accounts relating to the interim and annual results of the Company before submission to the Board for approval, the accounting principles and practices adopted by the Group and compliance), approving the terms of engagement of the Company's external auditor and discussing with the Company's external auditor the nature and scope of the audit.

Corporate Governance Report

AUDIT COMMITTEE *(continued)*

During the year ended 30 April 2010, the Audit Committee held four meetings and the individual attendance of each member is set out below:

Members	**Number of meetings attended/held**
Tang Tin Sek *(Chairman)*	4/4
Au Son Yiu	4/4
Lee Wing Kwan, Denis	4/4
Goh Gen Cheung	4/4

OTHER BOARD COMMITTEE

The Board has established an Accounts Receivable Supervisory Committee on 27 September 2006 with written terms of reference to deal with matters relating to credit control of the Group (including reviewing the effectiveness of credit control systems, making recommendations to the Board and formulating long-term strategy and related policy on credit control of the Group) within the authority as delegated by the Board.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company has established different communication channels with its shareholders and the investors, including (i) the annual general meetings of the Company provide a forum for its shareholders to raise comments and exchange views with the Board and (ii) updated company news and published announcements of the Group are available on the website of the Stock Exchange and the Company.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the annual general meetings of the Company in accordance with Code Provision E.1.3.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems covering all material controls, including financial, operational and compliance control and risk management functions. The systems are designed to provide reasonable, but not absolute, assurance against misstatement, losses, errors or fraud.

In order to enhance the standard of the internal control systems, the Company continues to engage an external audit firm to carry out an on-going project to conduct internal independent review and to evaluate all major operations of the Group in order to ensure that:

– proper segregation of duties and controls have been established by the management of the Group and the above controls are functioned as intended;

– procedures have been designed for safeguarding the Group's assets against unauthorised use or disposition;

– all applicable laws, rules and regulations are complied with;

INTERNAL CONTROL *(continued)*

– the internal control functions are properly integrated into the daily operations of the Group;

– adequate insurance coverage have been deployed for mitigating the risk exposure by the Group; and

– control weakness and findings are reported to the Audit Committee regularly.

The Company has established a centralised cash control system to oversee the Group's cash operations.

During the year ended 30 April 2010, the Board, through the Audit Committee, reviewed the effectiveness of the Group's internal control systems, including the approval of audit planning and procedures as well as the assessment and review of internal audit reports in order to ensure that a sound and adequate control environment has been installed in the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view and are prepared in accordance with statutory requirements and applicable accounting standards with appropriate accounting policies applied on consistent basis, and ensuring the publication of the Group's financial statements in a timely manner.

The directors have continued to adopt the going concern basis in preparing the financial statements. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance and prospects in financial reporting.

The responsibilities of the Company's external auditor with respect to financial reporting are set out in the Independent Auditor's Report on page 39.

Report of the Directors

The Directors of the Company (the "Directors") present their report together with the audited financial statements for the year ended 30 April 2010.

Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 42.

No interim and final dividend was declared for the year ended 30 April 2010 (2009: Nil).

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 16 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$1,047,000 (2009: HK$1,240,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the financial statements.

Principal investment properties

Details of the principal properties held for investment purposes are set out on page 98 of this annual report.

Share capital

Details of the movements in the share capital of the Company are set out in note 15 to the financial statements.

Distributable reserves

As at 30 April 2010, the Company's contributed surplus of approximately HK$131,338,000 (2009: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$24,987,000 (2009: HK$24,987,000) were available for distribution to the equity holders of the Company.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Report of the Directors

Purchase, sale or redemption of the Company's listed shares

The Company had not redeemed any of its listed shares during the year ended 30 April 2010. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2010.

During May 2010, the Company acquired an aggregate of 16,738,000 of its own shares through purchases on the Hong Kong Stock Exchange at an aggregate consideration of HK$4,765,390 with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Share option scheme

On 26 September 2002, a share option scheme (the "Scheme") was adopted by the Company.

The major terms of the Scheme are summarised as follows:

1. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interest in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

2. The participants include:

   (i) all full-time employees of the Company or its subsidiary, including executive directors; and

   (ii) non-executive directors of the Company or its subsidiary, including independent non-executive directors of the Company.

3. The total number of shares available for issue upon exercise of all options to be granted under the Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The total number of shares available for issue under the Scheme as at 9 August 2010, being the date of this annual report, was 69,302,881 shares, representing approximately 9.90% of the issued share capital of the Company.

Report of the Directors

Share option scheme *(continued)*

4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period up to the date of grant must not exceed 1% of the Company's shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in general meeting of the Company in advance with such participant and his associates abstaining from voting.

   Any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant, in aggregate exceed 0.1% of the shares of the Company in issue and with an aggregate value in excess of HK$5,000,000 (based on the closing price of the Company's shares at the date of each grant), is subject to the prior approval by the shareholders of the Company in general meeting.

5. The period within which an option may be exercised will be determined and notified by the Board at the time of grant, but in any event shall not exceed 10 years from the date of grant.

6. Unless otherwise determined by the Board in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.

7. The acceptance of an option, if accepted, must be made within 28 days from the date of offer of the option with a non-refundable payment of HK$1.00 as consideration for the grant of the option from the grantee to the Company. The full amount of the subscription price for shares must be paid upon exercise of an option.

8. The subscription price per share in respect of an option shall not be less than the highest of:

   (a) the closing price of the Company's share as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant;

   (b) the average closing price of the Company's share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and

   (c) the nominal value of the Company's share on the date of grant.

9. The Scheme is valid and effective for a period of 10 years commencing on its date of adoption and will expire on 25 September 2012.

During the year ended 30 April 2010, no option was granted under the Scheme (2009: Nil).

There was no outstanding option as at the date of this report.

Report of the Directors

Directors

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Lam Wai Chun *(Chairman and Managing Director)*
Ms. Tang Fung Kwan
Ms. Li Hong
Mr. Chung Wai Kin *(appointed on 29 September 2009)*

Independent non-executive Directors

Dr. Tang Tin Sek
Mr. Au Son Yiu
Mr. Lee Wing Kwan, Denis
Mr. Goh Gen Cheung
Professor Zhu Yuhe

The biographical details of the Directors and the senior management of the Group are set out on pages 17 to 20 of this annual report.

Pursuant to Bye-law 87 of the Company's Bye-laws, Mr. Lam Wai Chun, Dr. Tang Tin Sek and Professor Zhu Yuhe shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company still considers such directors to be independent. Mr. Au Son Yiu and Mr. Lee Wing Kwan, Denis have served as independent non-executive Directors for more than nine years. Pursuant to the Code Provision A.4.3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, further appointments of Mr. Au and Mr. Lee as the independent non-executive Directors should be subject to separate resolutions to be approved by the shareholders of the Company. In this regard, resolutions were passed at the annual general meeting of the Company held on 29 September 2009 to elect Mr. Au and Mr. Lee as independent non-executive Directors.

Directors' service contracts

Mr. Lam Wai Chun entered into a service agreement with the Company on 27 September 1999 for an initial period of three years commencing on 1 October 1999 and continuing thereafter until terminated by either party giving to the other not less than six months' notice in writing terminating on or after the expiry of the initial term of three years. This service agreement is exempt from the shareholders' approval requirement pursuant to Rule 13.69 of the Listing Rules. On 1 August 2009, Mr. Lam entered into a service contract with Coils Electronic (Zhong Shan) Co., Ltd. ("Zhongshan Coils"), an indirect wholly-owned subsidiary of the Company, regarding his engagement as the managing director of Zhongshan Coils. The service contract could be terminated upon the occurrence of any of the termination events as specified in the service contract.

Report of the Directors

Directors' service contracts *(continued)*

Ms. Tang Fung Kwan entered into a service agreement with the Company on 28 April 2008 for a term of three years, commencing on 1 May 2008 until terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time) in writing, but in any event not exceeding its term. On 1 August 2009, Ms. Tang Fung Kwan entered into a service contract with Zhongshan Coils regarding her engagement as a director of Zhongshan Coils. The service contract could be terminated upon the occurrence of any of the termination events as specified in the service contract.

Ms. Li Hong entered into a service agreement with the Company on 30 June 2009 for a term of 22 months, commencing on 1 July 2009 until terminated by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time) in writing before its expiration. On 28 April 2008, Ms. Li Hong also entered into an employment contract, which was amended by the supplemental agreement to employment contract dated 28 April 2008, with Xiamen Coils Electronic Co., Ltd., an indirect wholly-owned subsidiary of the Company, for a term commencing from 1 May 2008 to 31 March 2011 regarding her employment as general manager until terminated upon the occurrence of any of the termination events as specified in the employment contract.

Mr. Chung Wai Kin entered into a service agreement with the Company on 29 September 2009 for a term of three years, commencing on 29 September 2009 until terminated within its term by either party giving to the other a prior notice of three months (or a shorter period as the parties may agree in writing from time to time) in writing, but in any event not exceeding its term.

Save as disclosed above, none of the Directors who will be proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' interests in contracts of significance

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Interests of directors and chief executive in securities

As at 30 April 2010, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Shares of the Company

	Number of shares of HK$0.10 each held				
Name of director	**Personal interests** *(Note 2)*	**Corporate interests**	**Trusts interests**	**Total interests**	**Percentage of issued share capital**
Mr. Lam Wai Chun	29,955,188	442,295,660 *(Note 3)*	442,295,660 *(Note 3)*	472,250,848 *(Note 3)*	65.90%
Ms. Tang Fung Kwan	4,194,611	–	–	4,194,611	0.59%
Ms. Li Hong	548,000	–	–	548,000	0.08%
Mr. Chung Wai Kin	40,000	–	–	40,000	0.01%
Mr. Au Son Yiu	6,597,440	–	–	6,597,440	0.92%
Dr. Tang Tin Sek	4,098,000	–	–	4,098,000	0.57%

Notes:

1. All the above interests in the shares of the Company were long positions.

2. Personal interests were interests held by the relevant directors as beneficial owners.

3. The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the "Trust") founded by Mr. Lam Wai Chun. Being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The corporate interests and trusts interests in 442,295,660 shares refer to the same shares in the Company and duplicated with each other. Accordingly, Mr. Lam Wai Chun's total interests in 472,250,848 shares in the Company was arrived at after eliminating the duplications.

Report of the Directors

Interests of directors and chief executive in securities *(continued)*

(b) Shares of associated corporation(s) of the Company

Coils Electronic Co., Limited

Name of director	Number of non-voting deferred shares of HK$1.00 each held				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun *(Notes 4, 5 and 6)*	7,500,000	6,000,000	500,000	14,000,000	100%

Notes:

4. Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held the entire issued ordinary share capital.

5. 6,000,000 non-voting deferred shares of HK$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK$1.00 each were held by Ms. Law Ching Yee, the spouse of Mr. Lam Wai Chun, representing approximately 42.86% and approximately 3.57% of the 14,000,000 non-voting deferred shares of HK$1.00 each in the share capital of Coils Electronic Co., Limited respectively. Mr. Lam Wai Chun was deemed to be interested in all these shares under the SFO by virtue of, (i) for the shares held by Ka Yan China Development (Holding) Company Limited, the reason as set out in Note 3 to sub-paragraph (a) above and, (ii) for the shares held by Ms. Law Ching Yee, being the spouse of Ms. Law Ching Yee.

6. All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held or deemed to be held by Mr. Lam Wai Chun were long positions.

7. Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

Save as disclosed above, as at 30 April 2010, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above, as at 30 April 2010, neither the Directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

Directors' rights to acquire shares or debentures

Other than the Scheme, at no time during the year ended 30 April 2010 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of shareholders discloseable under the SFO

As at 30 April 2010, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

	Number of shares of HK$0.10 each held				
Name	**Beneficial owner**	**Family interests**	**Corporate interests**	**Trusts interests**	**Percentage of issued share capital**
Ms. Law Ching Yee	–	472,250,848 *(Note 2)*	–	–	65.90%
Ka Yan China Development (Holding) Company Limited	442,295,660 *(Notes 2 and 3)*	–	–	–	61.72%
Ka Yan China Investments Limited	–	–	442,295,660 *(Notes 2 and 3)*	–	61.72%
HSBC International Trustee Limited	–	–	–	442,295,660 *(Notes 2 and 3)*	61.72%

Other person as recorded in the register kept by the Company pursuant to section 336 of the SFO

	Number of shares of HK$0.10 each held				
Name	**Beneficial owner**	**Family interests**	**Corporate interests**	**Trusts interests**	**Percentage of issued share capital**
Toko, Inc.	36,785,402	–	–	–	5.13% *(Note 4)*

Report of the Directors

Interests of shareholders discloseable under the SFO *(continued)*

Shares of the Company *(continued)*

Notes:

1. All the above interests in the shares of the Company were of long positions.

2. The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust founded by Mr. Lam Wai Chun. Ms. Law Ching Yee, being the spouse of Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.

3. The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 30 April 2010, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.

4. The percentage has been calculated based on the total number of shares of the Company in issue as at 30 April 2010 (i.e. 716,610,798 shares).

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 30 April 2010.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Emolument Policy

The board of Directors, with the benefit of the advice from the Remuneration Committee, formulated the employee emolument policy of the Group on the basis of their merits, qualifications and competence.

The basis of determining the remuneration of the Directors is set out under the section headed "Remuneration of Directors" of the Corporate Governance Report on page 24.

The Company has adopted the Scheme as an incentive to directors and eligible employees of the Company, details of which are set out under the section headed "Share option scheme" on pages 29 to 30.

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	10%
– five largest suppliers combined	33%
Sales	
– the largest customer	29%
– five largest customers combined	53%

None of the Directors, nor any of their respective associates or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers or customers.

Disclosure pursuant to Rule 13.21 of the Listing Rules

In accordance with the disclosure requirements under Rule 13.21 of the Listing Rules, the Company makes the following disclosure in relation to the details of the 2007 Agreement (as defined below), which includes a condition relating to specific performance of the controlling shareholder of the Company:

On 17 September 2007, the Company (as borrower), Coils Electronic Co., Limited (as original guarantor) and a group of banks entered into a 3-year transferable term loan facility agreement (the "2007 Agreement") for an aggregate amount of HK$300,000,000 (the "2007 Facility").

Pursuant to the provisions of the 2007 Agreement, it would be an event of default if Mr. Lam Wai Chun, the Chairman and a controlling shareholder of the Company, ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group.

If the aforesaid event of default occurs, upon a notice served to the Company, (i) the 2007 Facility shall immediately be cancelled; (ii) all or part of the loans under the 2007 Facility, together with the accrued interest, and all other amounts accrued or outstanding under all finance documents (including the 2007 Agreement) shall immediately become due and payable; and/or (iii) all or part of the loans outstanding under the 2007 Facility shall immediately become payable on demand. As at 30 April 2010, the aggregate carrying value of the outstanding loan under the 2007 Agreement was approximately HK$50,000,000.

Related party transactions

Details of significant related party transactions entered into by the Group are set out in note 33 to the financial statements which did not constitute notifiable connected transactions under the Listing Rules.

Report of the Directors

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 9 August 2010, being the latest practicable date prior to the printing of this annual report, the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year ended 30 April 2010 and up to the date of this report.

Five year financial summary

A summary of the Group's financial information for the last five financial years is set out on page 5 of this annual report.

Auditor

The financial statements of the Company have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
LAM WAI CHUN
Chairman

Hong Kong, 9 August 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF CEC INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CEC International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 97, which comprise the consolidated and the company statement of financial position as at 30 April 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 August 2010

Statement of Financial Position

As at 30 April 2010

		Consolidated		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS					
Non-current assets					
Leasehold land and land use rights	6	**37,519**	40,043	**–**	–
Property, plant and equipment	7	**284,742**	351,132	**–**	–
Investment properties	8	**44,020**	26,804	**–**	–
Investments in subsidiaries	9(a)	**–**	–	**260,290**	187,239
Investment in an associate	10	**–**	–	**–**	–
Available-for-sale financial assets	11	**8,612**	8,177	**–**	–
		374,893	426,156	**260,290**	187,239
Current assets					
Inventories	12	**82,605**	92,084	**–**	–
Accounts receivable	13	**131,647**	124,307	**–**	–
Prepayments, deposits and other receivables		**7,701**	5,757	**165**	138
Due from subsidiaries	9(b)	**–**	–	**54,891**	227,095
Tax recoverable		**–**	652	**–**	–
Pledged bank deposits	14	**25,680**	27,690	**–**	–
Cash and cash equivalents	14	**27,080**	30,212	**35**	80
		274,713	280,702	**55,091**	227,313
Total assets		**649,606**	706,858	**315,381**	414,552

Statement of Financial Position

As at 30 April 2010

	Note	Consolidated 2010 HK$'000	Consolidated 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
EQUITY					
Share capital	15	**71,661**	71,661	**71,661**	71,661
Reserves	16	**347,111**	334,913	**193,457**	193,457
Total equity		**418,772**	406,574	**265,118**	265,118
LIABILITIES					
Non-current liabilities					
Borrowings	18	**12,599**	54,012	**–**	49,891
Deferred income tax	19	**4,065**	5,871	**–**	–
		16,664	59,883	**–**	49,891
Current liabilities					
Borrowings	18	**169,505**	201,544	**49,891**	99,228
Accounts payable	20	**20,416**	18,145	**–**	–
Accruals and other payables		**19,001**	20,236	**372**	315
Taxation payable		**5,248**	476	**–**	–
		214,170	240,401	**50,263**	99,543
Total liabilities		**230,834**	300,284	**50,263**	149,434
Total equity and liabilities		**649,606**	706,858	**315,381**	414,552
Net current assets		**60,543**	40,301	**4,828**	127,770
Total assets less current liabilities		**435,436**	466,457	**265,118**	315,009

LAM WAI CHUN
Director

TANG FUNG KWAN
Director

The notes on pages 46 to 97 are an integral part of these financial statements.

Consolidated Income Statement

For the year ended 30 April 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	**537,352**	614,532
Cost of sales	22	**(430,661)**	(520,018)
Gross profit		**106,691**	94,514
Other income		**55**	470
Other gains/(losses), net	21	**2,899**	(1,196)
Selling and distribution expenses	22	**(10,616)**	(12,399)
General and administrative expenses	22	**(73,396)**	(93,243)
Operating profit/(loss)		**25,633**	(11,854)
Finance costs	25	**(8,066)**	(14,118)
Profit/(loss) before taxation		**17,567**	(25,972)
Taxation	26	**(7,276)**	1,170
Profit/(loss) for the year	27	**10,291**	(24,802)
Earnings/(loss) per share, basic and diluted	28	**HK1.44 cents**	(HK3.46 cents)
Dividend	29	**–**	–

The notes on pages 46 to 97 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit/(loss) for the year	10,291	(24,802)
Other comprehensive income/(loss)		
Change in fair value on available-for-sale financial assets	419	10
Currency translation differences	(332)	7,334
Revaluation of buildings upon transfer to investment properties, net of tax	1,820	–
Total comprehensive income/(loss) for the year	12,198	(17,458)

The notes on pages 46 to 97 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2010

	Attributable to equity holders of the Company				
	Share capital *HK$'000*	Reserves *(Note 16)* *HK$'000*	Total *HK$'000*	Minority interest *HK$'000*	Total equity *HK$'000*
Balance at 1 May 2008	71,661	355,954	427,615	248	427,863
Loss for the year	–	(24,802)	(24,802)	–	(24,802)
Other comprehensive income:					
Change in fair value of available-for-sale financial assets	–	10	10	–	10
Currency translation differences	–	7,334	7,334	–	7,334
Total comprehensive loss	–	(17,458)	(17,458)	–	(17,458)
Acquisition of additional interests in a subsidiary	–	–	–	(248)	(248)
2007/2008 final dividend	–	(3,583)	(3,583)	–	(3,583)
Balance at 30 April 2009	71,661	334,913	406,574	–	406,574
Balance at 1 May 2009	71,661	334,913	406,574	–	406,574
Profit for the year	–	10,291	10,291	–	10,291
Other comprehensive income/(loss):					
Revaluation of buildings upon transfer to investment properties, net of tax	–	1,820	1,820	–	1,820
Change in fair value of available-for-sale financial assets	–	419	419	–	419
Currency translation differences	–	(332)	(332)	–	(332)
Total comprehensive income	–	12,198	12,198	–	12,198
Balance at 30 April 2010	71,661	347,111	418,772	–	418,772

The notes on pages 46 to 97 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	92,409	104,591
Hong Kong profits tax paid		(1,543)	(2,394)
Overseas tax paid		(2,484)	(3,675)
Net cash generated from operating activities		88,382	98,522
Cash flows from investing activities			
Payment for leasehold land and land use rights		(175)	–
Purchase of property, plant and equipment		(3,264)	(37,035)
Proceeds from disposal of property, plant and equipment		997	179
Purchase of investment properties		(9,280)	(1,280)
Net cash used in investing activities		(11,722)	(38,136)
Cash flows from financing activities			
Proceeds from borrowings		442,086	512,411
Repayments of borrowings		(523,497)	(596,830)
Decrease/(increase) in pledged bank deposits		2,010	(244)
Interest received		55	470
Capital element of finance lease payments		–	(220)
Interest paid		(7,637)	(12,855)
Dividend paid		–	(3,583)
Net cash used in financing activities		(86,983)	(100,851)
Decrease in cash and cash equivalents and bank overdrafts		(10,323)	(40,465)
Translation adjustments		30	361
Cash and cash equivalents and bank overdrafts at the beginning of the year		30,212	70,316
Cash and cash equivalents and bank overdrafts at the end of the year	30(b)	19,919	30,212

The notes on pages 46 to 97 are an integral part of these financial statements.

Notes to the Financial Statements

1 General information

The Company, CEC International Holdings Limited, is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products. The Company and its subsidiaries are collectively referred to as "the Group" in the consolidated financial statements.

The Company is incorporated as an exempted company in Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1999. Its immediate holding company and ultimate holding company are Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, respectively, both incorporated in the British Virgin Islands.

These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 9 August 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The following new standards and amendments to standards are effective for the financial year ended 30 April 2010 and are relevant to the Group.

- HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements. Such change only impacts presentation of the financial statements with no impact on the Group' earnings.

  It has also introduced a number of terminology changes, including revised titles for the consolidated financial statements.

- Amendment to HKFRS 7, "Financial Instruments: disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the Group's earnings.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to management. Adoption of this standard did not have any effect on the Group's earnings.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1 May 2009, are not currently relevant for the Group or do not have material impact on the Group for the year ended 30 April 2010.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 May 2010 and have not been early adopted.

- HKAS 1 (Amendment), "Presentation of financial statements" (effective for annual periods beginning on or after 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply HKAS 1 (Amendment) from 1 May 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

- HKAS 7 (Amendment), "Statement of cash flows" (effective for annual periods beginning on or after 1 January 2010). Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply HKAS 7 (Amendment) from 1 May 2010.

- HKAS 17 (Amendment), "Leases" (effective for annual periods beginning on or after 1 January 2010). The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply HKAS 17 (Amendment) from 1 May 2010.

- HKAS 36 (Amendment), "Impairment of assets" (effective for annual periods beginning on or after 1 January 2010). This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8. The Group will apply HKAS 36 (Amendment) from 1 May 2010.

- HKAS 39 (Amendment), "Financial instruments: recognition and measurement" (effective for annual periods beginning on or after 1 January 2010). Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period, the hedged forecast cash flows affect profit or loss. The Group will apply HKAS 39 (Amendment) from 1 May 2010.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

- HKFRS 2 (Amendments), "Group cash-settled share-based payment transactions" (effective for annual periods beginning on or after 1 January 2010). In addition to incorporating HK(IFRIC) – Int 8, "Scope of HKFRS 2", and HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) – Int 11 to address the accounting in the separate financial statements of a subsidiary when its suppliers/employees will receive cash payments from the parent that are linked to the price of the equity instruments of an entity in the group. The parent, and not the entity, has the obligation to deliver cash. The amendments state that the entity shall account for the transaction with its suppliers/employees as equity-settled, and recognize a corresponding increase in equity as a contribution from its parent. The subsidiary shall remeasure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met in accordance with paragraphs 19-21. The new guidance is not expected to have a material impact on the Group's consolidated financial statements.

- HKFRS 3 (Revised), "Business combinations" (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 May 2010.

- HKFRS 5 (Amendment), "Measurement of non-current assets (or disposal groups) classified as held for sale" (effective for annual periods beginning on or after 1 July 2009). The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group will apply HKFRS 5 (Amendment) from 1 May 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

- HKFRS 8 (Amendment), "Operating segments" (effective for annual periods beginning on or after 1 January 2010). Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply HKFRS 8 (Amendment) from 1 May 2010.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

- HKFRS 9, "Financial instruments" (effective for annual periods beginning on or after 1 January 2013). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The standard is to be applied retrospectively and allows exemptions for restating comparatives for early adoption before 1 May 2012.

- HK(IFRIC) – Int 9 (Amendment), "Reassessment of embedded derivatives" (effective for annual periods beginning on or after 1 July 2009). This amendment aligns the scope of HK(IFRIC) 9 to the scope of HKFRS 3 (Revised): the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. The Group will apply HK(IFRIC) – Int 9 (Amendment) from 1 May 2010.

- HK(IFRIC) – Int 17, "Distribution of non-cash assets to owners" (effective for annual periods beginning on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets (or with a cash alternative) to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply HK(IFRIC) – Int 17 from 1 May 2010. It is not expected to have a material impact on the Group's consolidated financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 April. All subsidiaries incorporated in Mainland China adopt 31 December as their financial year end for statutory purpose. For the purpose of preparing the Group's consolidated financial statements, management accounts of these subsidiaries as at and for the twelve months ended 30 April 2009 and 2010 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale are included in the investment valuation reserve in equity.

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

– Buildings	2.5%
– Machinery	10%
– Furniture and equipment	16.7% to 25%
– Motor vehicles	16.7% to 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.8)*.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.6 Investment properties

Investment property comprising residential and industrial buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of "other gains, net".

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2.7 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment when there is an indication. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 Summary of significant accounting policies *(continued)*

2.8 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of statement of financial position. These are classified as non-current assets. Loans and receivables are classified as accounts receivable and other receivables and cash and cash equivalents in the statement of financial position *(Notes 2.11 and 2.12)*.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of statement of financial position.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each date of statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of accounts and other receivables is described in Note 2.11.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies *(continued)*

2.11 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indictors that the accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When accounts and other receivables are uncollectible, they are written off against the allowance account for accounts and other receivables.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of statement of financial position.

2.15 Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.15 Current and deferred taxation *(continued)*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Accounts and other payables

Accounts and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the date of statement of financial position.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Group participated in a number of defined contribution plans, the assets of which are generally held in separate trustee – administered funds.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies *(continued)*

2.17 Employee benefits *(continued)*

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each date of statement of financial position, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sale of goods – income from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.

(b) Rental income – rental income is recognised on a straight line basis over the lease term.

(c) Service income – service income is recognised in the periods in which the services are rendered.

(d) Interest income – interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Dividend income – dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.19 Leases

(a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

(b) *Finance lease*

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and the board of directors for interim dividend.

2.21 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities and net investments are denominated in a currency that is not the Group's entities' functional currency.

The Group operates mainly in Mainland China and Hong Kong with most of the sales transactions being denominated in Renminbi, Hong Kong dollar and United States dollar. The Group's purchases were settled in Hong Kong dollars, Renminbi and United States dollars.

As at 30 April 2010, if Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, post-tax profit for the year would have been approximately HK$88,000 lower/higher (2009: HK$43,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of Renminbi denominated accounts receivable, bank balances and cash, accounts payable and borrowings.

The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Chinese Government.

As Hong Kong dollars are pegged with United States dollars, the Group considers the foreign exchange risk arisen from United States dollars is low. The Group has not used any financial instruments to hedge against foreign currency risk as at 30 April 2010.

(b) Credit risk

Credit risk is managed on a group basis. The Group's financial assets are accounts receivable, other receivables and bank balances. The amounts of those assets stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

The Group's credit risk is concentrated on a number of major and long established customers. Sales to the top five customers accounted for approximately 53% of the Group's total sales. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual accounts receivable at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of accounts receivable falls within the recorded allowances.

The credit risk on cash at banks is limited because the counterparties are banks with credit-ratings of Aa assigned by international credit-rating agencies. Transactions in relation to derivative financial instruments, if any, are only carried out with financial institutions of high reputation. The Group has policies that limit the amount of credit exposure to any one financial institution.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by the above mentioned counterparties.

The Company has no significant exposure to credit risk because the Company's assets are mainly relating to balances with subsidiaries. Management has also performed the liability adequacy test on the guarantees given to bank and financial institutions for certain of its subsidiaries and is of the opinion that there are no liabilities in relation to the guarantees given.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the directors have strong control in place to ensure that all covenants with banks are properly complied with at each reporting period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk (continued)*

Group

	2010	2009
	HK$'000	*HK$'000*
Less than 1 year:		
– Accounts payable	20,416	18,145
– Accruals and other payables	19,001	20,236
– Borrowings	169,505	201,544
– Interests payable	1,437	3,523
	210,359	243,448
Between 1 and 5 years:		
– Borrowings	12,599	54,012
– Interests payable	208	462
	12,807	54,474

(d) *Cash flow interest rate risk*

Except as disclosed below, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from pledged bank deposits, bank balances and borrowings. The Group regularly seeks the most favourable interest rates available for its bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's bank deposits and borrowings are disclosed in Notes 14 and 18. As at 30 April 2010, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$540,000 (2009: HK$825,000) lower/higher, mainly as a result of higher/lower interest income on bank deposits and cash net off with higher/lower interest expense on floating rate borrowings.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

3 Financial risk management *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less bank balances and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt. The gearing ratios at 30 April 2010 and 2009 were as follows:

	2010	2009
	HK$'000	*HK$'000*
Total borrowings *(Note 18)*	**182,104**	255,556
Less: Bank balances and cash *(Note 14)*	**(52,760)**	(57,902)
Net debt	**129,344**	197,654
Total equity	**418,772**	406,574
Total capital	**548,116**	604,228
Gearing ratio	**24%**	33%

3.3 Fair value estimation

The carrying value less impairment provision of accounts receivable is a reasonable approximation of its fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the date of statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price.

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

Effective 1 May 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets that are measured at fair value at 30 April 2010.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Available-for-sale financial assets				
– Investment fund	8,337	–	–	8,337
– Equity securities	275	–	–	275
Total assets	8,612	–	–	8,612

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment, leasehold land and land use rights

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment, and leasehold land and land use rights have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculations and valuations require the use of judgements and estimates.

(b) Fair value of investment properties

The best evidence of fair value of properties is normally the current prices in an active market for comparable properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each date of statement of financial position.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4 Critical accounting estimates and judgements *(continued)*

(c) Provision for current taxation and deferred taxation

The Group is subject to taxation in several jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

Pursuant to the Corporate Income Tax Law and its implementation rules, effective from 1 January 2008, certain non-resident enterprises (for instance, those without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC whose relevant income is not effectively connected with the establishment or a place of business in PRC) are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividend derived from sources within the PRC. Provisions for withholdings tax have been made by the Group in this aspect *(Note 19)*.

(d) Write-downs of inventories to net realisable value

Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each date of statement of financial position.

(e) Impairment of accounts and other receivables

The Group's management determines the provision for impairment of accounts and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgments and estimates. Management reassesses the provision at each date of statement of financial position.

Notes to the Financial Statements

5 Segment information

The Executive Directors of the Group ("management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Management considers the business from product perspective. The Group has two reportable segments, namely (i) Electronic components manufacturing and (ii) Others (comprise rental income and service income from provision of information technology services). Segment information provided to management for decision-making is measured in a manner consistent with that in the financial statements.

Inter-segment sales were entered into under the normal commercial terms and conditions.

The segment information provided to the management for the reportable segments for the years ended 30 April 2010 and 2009 is as follows:

	Electronic components manufacturing		Others		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
External sales	**535,967**	613,265	**1,385**	1,267	**–**	–	**537,352**	614,532
Intersegment sales	**–**	–	**1,380**	2,370	**(1,380)**	(2,370)	**–**	–
	535,967	613,265	**2,765**	3,637	**(1,380)**	(2,370)	**537,352**	614,532
Segment results								
Operating profit/(loss)	**22,792**	(11,146)	**2,841**	(708)	**–**	–	**25,633**	(11,854)
Finance costs	**(8,066)**	(14,118)	**–**	–	**–**	–	**(8,066)**	(14,118)
Profit/(loss) before taxation							**17,567**	(25,972)
Taxation							**(7,276)**	1,170
Profit/(loss) for the year							**10,291**	(24,802)
Depreciation and amortisation	**66,897**	72,054	**53**	50	**–**	–	**66,950**	72,104
Distribution cost and administrative expenses	**83,571**	105,104	**441**	538	**–**	–	**84,012**	105,642
Additions to non-current assets (other than financial instruments)	**3,098**	55,123	**9,360**	1,296	**–**	–	**12,458**	56,419

5 Segment information *(continued)*

	Electronic components manufacturing		Others		Eliminations		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**603,695**	678,064	**45,911**	28,142	**–**	–	**649,606**	706,206
Unallocated assets							**–**	652
Total assets							**649,606**	706,858
Segment liabilities	**39,221**	38,140	**196**	241	**–**	–	**39,417**	38,381
Borrowings	**182,104**	255,556	**–**	–	**–**	–	**182,104**	255,556
Unallocated liabilities							**9,313**	6,347
Total liabilities							**230,834**	300,284

Geographical information

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including the Hong Kong Special Administrative Region)	**423,136**	487,448	**374,516**	425,532
Other regions	**114,216**	127,084	**377**	624
	537,352	614,532	**374,893**	426,156

Revenue by geographical location is determined on the basis of the destination of shipment.

Non-current assets by geographical location are determined based on the location of the relevant assets.

For the year ended 30 April 2010, revenues of approximately HK$155,264,000 (2009: HK$193,188,000) are derived from a single external customer. These revenues are attributable to the electronic components manufacturing segment.

Notes to the Financial Statements

5 Segment information *(continued)*

Analysis of revenue by category

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**535,967**	613,265
Rental income	**1,373**	1,051
Service income from provision of information technology services	**12**	216
	537,352	614,532

6 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
In Hong Kong, held on:		
Leases of between 10 to 50 years	**16,838**	18,922
In Mainland China, held on:		
Leases of between 10 to 50 years	**19,221**	19,639
Leases of over 50 years	**1,460**	1,482
	37,519	40,043

Movements of the leasehold land and land use rights during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
At the beginning of the year	**40,043**	40,154
Exchange differences	**31**	311
Additions	**175**	–
Transfer to investment properties *(Note 8)*	**(1,768)**	552
Amortisation	**(962)**	(974)
At the end of the year	**37,519**	40,043

7 Property, plant and equipment

Group

	Buildings HK$'000	Construction in progress HK$'000	Machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 30 April 2009						
Opening net book amount	84,672	9,341	240,754	25,969	3,738	364,474
Exchange differences	1,059	196	2,861	276	39	4,431
Additions	23,411	3,766	24,434	3,025	503	55,139
Disposals	–	–	(54)	(112)	(119)	(285)
Written off	–	–	(112)	(833)	–	(945)
Transfer	11,373	(13,303)	1,038	340	–	(552)
Depreciation	(2,364)	–	(60,805)	(6,813)	(1,148)	(71,130)
Closing net book amount	118,151	–	208,116	21,852	3,013	351,132
At 30 April 2009						
Cost	133,067	–	746,269	89,662	10,441	979,439
Accumulated depreciation	(14,916)	–	(538,153)	(67,810)	(7,428)	(628,307)
Net book amount	118,151	–	208,116	21,852	3,013	351,132
Year ended 30 April 2010						
Opening net book amount	118,151	–	208,116	21,852	3,013	351,132
Exchange differences	158	–	206	9	1	374
Additions	1,084	–	706	782	431	3,003
Disposals	–	–	(1,300)	(185)	(5)	(1,490)
Written off	–	–	(354)	–	(165)	(519)
Revaluation	2,180	–	–	–	–	2,180
Transfer to investment properties *(Note 8)*	(3,950)	–	–	–	–	(3,950)
Depreciation	(3,038)	–	(55,806)	(6,122)	(1,022)	(65,988)
Closing net book amount	114,585	–	151,568	16,336	2,253	284,742
At 30 April 2010						
Cost	132,405	–	718,157	89,350	10,260	950,172
Accumulated depreciation	(17,820)	–	(566,589)	(73,014)	(8,007)	(665,430)
Net book amount	114,585	–	151,568	16,336	2,253	284,742

7 Property, plant and equipment *(continued)*

During the year, buildings with carrying amount of approximately HK$3,950,000 was transferred to investment property *(Note 8)*. Revaluation surplus of approximately HK$2,180,000 upon transfer was included in property revaluation reserve.

Depreciation expense of approximately HK$63,025,000 (2009: HK$68,416,000) and HK$2,963,000 (2009: HK$2,714,000) has been included in cost of sales and general and administrative expenses respectively.

8 Investment properties

	Group	
	2010	2009
	HK$'000	*HK$'000*
At the beginning of the year	**26,804**	26,705
Additions	**9,280**	1,280
Fair value gains/(losses) *(Note 21)*	**2,218**	(1,181)
Transfer in from leasehold land and buildings *(Notes 6 and 7)*	**5,718**	–
At the end of the year	**44,020**	26,804

The investment properties were revalued on an open market basis at 30 April 2010 by an independent professional qualified valuer, Castores Magi (Hong Kong) Limited.

The accompanying consolidated income statement included rental income from investment property of approximately HK$1,373,000 (2009: HK$1,051,000) and related direct operating expenses of approximately HK$275,000 (2009: HK$228,000).

The Group's interests in investment properties at their net book values are analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**44,020**	26,804

The period of leases whereby the Group leases out its investment properties under operating leases ranges from 1 to 2 years.

9 Investments in and balance with subsidiaries – Company

(a) Investments in subsidiaries

	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**137,348**	137,348
Due from subsidiaries	**122,942**	49,891
	260,290	187,239

The amounts due from subsidiaries were unsecured, interest free and were not repayable within 12 months from the date of statement of financial position.

In 2009, an amount of HK$49,891,000 due from a subsidiary was interest bearing at commercial bank's lending rate.

The following is a list of the subsidiaries of the Company as at 30 April 2010:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
CEC-Coils Singapore Pte Ltd.	Singapore	Sale of coils and other electronic components	Ordinary S$1,500,000	100%
CEC-ECAP Limited	Hong Kong	Lease of machinery	Ordinary HK$1,000,000	100%
北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) (c)	Mainland China	Marketing of coils and other electronic components	Registered capital US$750,000	100%
CEC-Technology Limited	Hong Kong	Investment holding	Ordinary HK$10,000	100%
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (c)	Mainland China	Provision of information technology services and manufacture and sale of coils and electronic components	Registered capital HK$2,900,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components	Ordinary HK$2 Non-voting deferred HK$14,000,000 (b)	100%
Coils Electronic (Zhong Shan) Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$20,850,000	100%

9 Investments in and balance with subsidiaries – Company *(continued)*

(a) Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (a)
Coils International Holdings Limited (a)	British Virgin Islands	Investment holding	Ordinary US$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK$200,000	100%
Gaozhou Coils Electronic Co. Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US$500,000	100%
Good Signal Holdings Limited	British Virgin Islands	Investment holding	Ordinary US$100	100%
南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) (c)	Mainland China	Manufacture and sale of ferrite powder	Registered capital US$2,780,000	100%
Sun-iOMS Technology Holdings Limited	British Virgin Islands	Investment holding	Ordinary HK$500,000	100%
Sun-iOMS (Hong Kong) Limited	Hong Kong	Dormant	Ordinary HK$2	100%
Tonichi Ferrite Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK$81,600,000	100%
Xiamen Coils Electronic Co., Ltd. (c)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital HK$9,567,620	100%
Zhongshan Coils Metalwork Co., Ltd. (c)	Mainland China	Manufacture of coils	Registered capital US$755,000	100%

The underlying value of the investments in subsidiaries is, in the opinion of the Company's directors and the Group's management, not less than the carrying value as at 30 April 2010.

9 Investments in and balance with subsidiaries – Company *(continued)*

(a) Investments in subsidiaries *(continued)*

As at 30 April 2010, the Company had given guarantees to banks and financial institutions of approximately HK$132,534,000 (2009: HK$108,349,000) to secure banking facilities of certain subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2010 (2009: Nil).

Notes:

(a) The shares in Coils International Holdings Limited are held directly by the Company. The shares in other subsidiaries are held indirectly by the Company.

(b) The non-voting deferred shares of Coils Electronic Co., Limited are owned by Mr. Lam Wai Chun, Ms. Law Ching Yee and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds HK$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK$100,000,000,000,000 has been distributed to the holders of the ordinary shares.

(c) 重慶高雅科技有限公司 (Chongqing CEC-Technology Limited), Coils Electronic (Zhong Shan) Co., Ltd., Gaozhou Coils Electronic Co. Ltd., Xiamen Coils Electronic Co., Ltd. and Zhongshan Coils Metalwork Co., Ltd. are wholly foreign owned enterprises established in Mainland China to be operated for 15 years up to August 2017, April 2016, November 2019, December 2012 and February 2016, respectively.

Tonichi Ferrite Co., Ltd., is a wholly foreign owned enterprise established in Mainland China to be operated for 25 years up to September 2018.

南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) is a wholly foreign owned enterprise established in Mainland China to be operated for 30 years up to April 2033.

北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) is a wholly foreign owned enterprise established in Mainland China to be operated for 10 years up to October 2016.

(b) Due from subsidiaries

Except for an amount due from a subsidiary of approximately HK$49,891,000 (2009: HK$99,228,000) which bear interest at commercial rates, the remaining due from subsidiaries are non-interest bearing, unsecured and repayable on demand.

10 Investment in an associate

The investment in the associate was fully impaired. No share of losses in the associate was recognised for the year (2009: nil) as the associate was dormant during the year.

Details of the associate are as follows:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital	Interest held indirectly
Signking Science Ltd.	British Virgin Islands	Investment holding	Ordinary US$10,000	50%

11 Available-for-sale financial assets

	Group 2010 HK$'000	2009 HK$'000
Investment fund	**8,337**	8,040
Equity securities:		
– listed in Hong Kong, at market value	**275**	137
	8,612	8,177

Available-for-sale financial assets are denominated in the following currencies:

	Group 2010 HK$'000	2009 HK$'000
United States dollar	**8,337**	8,040
Hong Kong dollar	**275**	137
	8,612	8,177

The investment fund represented investment in a capital guaranteed fund, which is managed by HSBC Global Asset Management (Hong Kong) Limited.

Increase in fair values of available-for-sale financial assets of approximately HK$419,000 (2009: decrease of HK$310,000) are recorded in investment revaluation reserve. There was no profit or loss (2009: losses of HK$320,000) transferred from investment revaluation reserve to the consolidated income statement during the year due to impairments.

There was no disposal on available-for-sale financial assets during the years ended 30 April 2009 and 2010.

As at 30 April 2009 and 30 April 2010, the Group's investment fund was pledged as collateral for the Group's borrowings *(Note 32)*.

12 Inventories

	Group 2010 HK$'000	2009 HK$'000
Raw materials	**60,192**	68,214
Work-in-progress	**11,346**	10,044
Finished goods	**11,067**	13,826
	82,605	92,084

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$234,103,000 (2009: HK$274,696,000).

13 Accounts receivable

The aging analysis of accounts receivable based on invoice date is as follows:

	Group 2010 HK$'000	2009 HK$'000
0 – 30 days	**56,827**	50,682
31 – 60 days	**40,370**	30,689
61 – 90 days	**11,147**	16,413
91 – 120 days	**8,239**	3,901
Over 120 days	**21,158**	25,715
	137,741	127,400
Less: provision for impairment of receivables	**(6,094)**	(3,093)
	131,647	124,307

As at 30 April 2010 and 30 April 2009, the carrying amount of accounts receivable approximated its fair value.

Top management of the Group and an Accounts Receivable Supervisory Committee set up by the Company perform on-going credit and collectability evaluation of each customer. The Group offers an average credit period ranging from one to four months to its customers who have good payment records and well-established relationships with the Group.

Accounts receivable with an aggregate carrying amount of approximately HK$26,596,000 as at 30 April 2010 (2009: HK$15,141,000) were pledged as collateral for the Group's borrowings *(Note 32)*.

13 Accounts receivable *(continued)*

As at 30 April 2010, accounts receivable of HK$17,325,000 (2009: HK$11,959,000) were past due but not impaired. These relate to a number of customers for whom there is no significant defaults in the past. The ageing analysis of these accounts receivable is as follows:

	2010	2009
	HK$'000	*HK$'000*
Overdue by 0 – 1 month	**10,425**	8,427
Overdue by 1 – 2 months	**4,053**	1,093
Overdue by 2 – 3 months	**2,847**	1,449
Overdue by more than 3 months	**–**	990
	17,325	11,959

As at 30 April 2010, accounts receivable of HK$6,094,000 (2009: HK$3,093,000) were impaired. The amount of the provision was HK$6,094,000 at 30 April 2010 (2009: HK$3,093,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations. The ageing of these accounts receivable is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current	**–**	31
Overdue by 0 – 1 month	**–**	274
Overdue by 1 – 2 months	**–**	99
Overdue by 2 – 3 months	**–**	585
Overdue by more than 3 months	**6,094**	2,104
	6,094	3,093

Movements on the provision for impairment of receivables are as follows:

	2010	2009
	HK$'000	*HK$'000*
At the beginning of the year	**3,093**	2,099
Provision for impairment	**4,333**	1,009
Write-off of provision	**(1,336)**	–
Exchange differences	**4**	(15)
At the end of the year	**6,094**	3,093

The creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement *(Note 22)*.

13 Accounts receivable *(continued)*

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Hong Kong dollar	50,992	40,217
Renminbi	46,830	59,424
United States dollar	32,532	23,821
Other currencies	1,293	845
	131,647	124,307

14 Pledged bank deposits and cash and cash equivalents

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cash and cash equivalents	27,080	30,212	35	80
Pledged bank deposits	25,680	27,690	–	–
	52,760	57,902	35	80

The pledged bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Hong Kong dollar	20,633	22,113	35	80
Renminbi *(note b)*	10,974	13,754	–	–
United States dollar	19,623	21,069	–	–
Other currencies	1,530	966	–	–
	52,760	57,902	35	80

Notes:

(a) The effective interest rate on bank fixed deposits was approximately 0.02% (2009: 0.14%) per annum. These deposits have an average maturity of 29 (2009: 57) days.

(b) The conversion of Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange promulgated by the government of Mainland China.

(c) As at 30 April 2010, certain of the Group's bank deposits of approximately HK$25,680,000 (2009: HK$27,690,000) were pledged as collateral for the Group's borrowings *(Note 32)*.

Notes to the Financial Statements

15 Share capital

	Number of shares	2010 HK$'000	2009 HK$'000
Authorised:			
Shares of HK$0.10 each	1,000,000,000	**100,000**	100,000
Issued and fully paid:			
Shares of HK$0.10 each	716,610,798	**71,661**	71,661

In May 2010, the Company acquired 16,738,000 of its own shares through purchases on the Hong Kong Stock Exchange. The total amount paid to acquire the shares was approximately HK$4,765,000. These shares were subsequently cancelled.

16 Reserves

Group

	Share premium HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Mainland China statutory reserve *(note a)* HK$'000	Corporate development reserve *(note b)* HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2008	37,132	13,934	(498)	244	13,659	2,956	59,521	229,006	355,954
Currency translation differences	–	–	–	–	–	–	7,334	–	7,334
Change in fair value of available-for-sale financial assets *(Note 11)*	–	–	10	–	–	–	–	–	10
Transfer from retained earnings to other reserves	–	–	–	–	1,129	185	–	(1,314)	–
Loss for the year	–	–	–	–	–	–	–	(24,802)	(24,802)
2007/2008 final dividend	–	–	–	–	–	–	–	(3,583)	(3,583)
At 30 April 2009	37,132	13,934	(488)	244	14,788	3,141	66,855	199,307	334,913

16 Reserves *(continued)*

Group *(continued)*

	Share premium HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Mainland China statutory reserve *(note a)* HK$'000	Corporate development reserve *(note b)* HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2009	37,132	13,934	(488)	244	14,788	3,141	66,855	199,307	334,913
Revaluation of buildings upon transfer to investment properties									
– gross	–	–	–	2,180	–	–	–	–	2,180
– deferred tax	–	–	–	(360)	–	–	–	–	(360)
Currency translation differences	–	–	–	–	–	–	(332)	–	(332)
Change in fair value of available-for-sale financial assets *(Note 11)*	–	–	419	–	–	–	–	–	419
Transfer from retained earnings to other reserves	–	–	–	–	720	–	–	(720)	–
Profit for the year	–	–	–	–	–	–	–	10,291	10,291
At 30 April 2010	37,132	13,934	(69)	2,064	15,508	3,141	66,523	208,878	347,111

Notes:

(a) In accordance with the laws and regulations of Mainland China, the Group's subsidiaries in Mainland China are required to set aside certain portion of their retained earnings to a statutory reserve account. The reserve can only be used to make up losses incurred or increase registered capital.

(b) In accordance with the laws and regulations of Mainland China, the Group's subsidiaries in Mainland China can set aside certain portion of their retained earnings to a corporate development reserve account. The percentage of appropriation is determined by the board of directors of respective subsidiaries in Mainland China. The reserve can be used for expansion of the production and operation or increase registered capital of respective subsidiaries in Mainland China.

16 Reserves *(continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 May 2008	37,132	131,338	28,570	197,040
2007/2008 final dividend	–	–	(3,583)	(3,583)
At 30 April 2009	37,132	131,338	24,987	193,457
At 1 May 2009 and at 30 April 2010	37,132	131,338	24,987	193,457

Contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the aggregate net asset value of the subsidiaries acquired through an exchange of shares pursuant to the reorganisation in 1999. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders subject to the condition that subsequent to the payment of dividend or any distribution, (i) the Company will be able to pay its liabilities as they become due, and (ii) the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium.

17 Share options

A share option scheme (the "Scheme") was adopted by the Company on 26 September 2002. Under the Scheme, the Company may grant options to any full-time employees (including executive directors) and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) to subscribe for shares in the Company. The total number of shares available for issue upon exercise of all options to be granted under the Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The subscription price per share in respect of an option will be determined by the Board of the Company, and will not be less than the highest of (i) the closing price of the Company's share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share on the date of grant.

No option under the Scheme was granted or remained outstanding during the year ended 30 April 2010 (2009: Nil).

18 Borrowings

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Bank borrowings	**12,599**	54,012	**–**	49,891
Current				
Bank borrowings	**162,344**	201,544	**49,891**	99,228
Bank overdrafts	**7,161**	–	**–**	–
	169,505	201,544	**49,891**	99,228
Total borrowings	**182,104**	255,556	**49,891**	149,119

The maturity of bank borrowings is analysed as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**162,344**	201,544	**49,891**	99,228
Between one and two years	**10,399**	52,413	**–**	49,891
Between two and five years	**2,200**	1,599	**–**	–
	174,943	255,556	**49,891**	149,119

The ranges of effective interest rates at the date of statement of financial position were as follows:

	Group					
	2010			2009		
	HK$	***US$***	***JPY***	*HK$*	*US$*	*JPY*
	%	*%*	*%*	*%*	*%*	*%*
Bank borrowings	**1.70-6.25**	**3.15-4.00**	**2.64-2.66**	1.72-5.63	3.85-4.63	3.73

18 Borrowings *(continued)*

	Company	
	2010	2009
	%	%
Bank borrowings – Hong Kong dollars	**1.70**	2.49

The carrying amounts of borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**169,574**	248,491	**49,891**	149,119
Other currencies	**12,530**	7,065	**–**	–
	182,104	255,556	**49,891**	149,119

Refer to Note 32 for details of the Group's banking facilities and pledges of assets.

19 Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the date of statement of financial position in the respective jurisdictions.

The movements of the net deferred tax liabilities are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At the beginning of the year	**5,871**	9,250
Deferred taxation		
– credited to consolidated income statement *(Note 26)*	**(2,166)**	(3,379)
– charged to equity	**360**	–
	4,065	5,871

Movements of the deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Group

Deferred tax assets	Provisions		Tax losses		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**429**	330	**662**	785	**1,091**	1,115
Credited/(charged) to income statement	**491**	99	**(661)**	(123)	**(170)**	(24)
End of the year	**920**	429	**1**	662	**921**	1,091

Deferred tax liabilities	Accelerated depreciation allowance		Investment properties		Withholding tax		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the year	**3,278**	6,947	**2,778**	3,418	**906**	–	**6,962**	10,365
Charged to equity	**–**	–	**360**	–	**–**	–	**360**	–
(Credited)/ charged to income statement	**(2,994)**	(3,669)	**572**	(640)	**86**	906	**(2,336)**	(3,403)
End of the year	**284**	3,278	**3,710**	2,778	**992**	906	**4,986**	6,962

19 Deferred income tax *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2010	2009
	HK$'000	*HK$'000*
Deferred tax liabilities	**4,065**	5,871

Deferred tax assets are recognised for tax losses carry-forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK$20,330,000 (2009: HK$22,484,000) to carry forward against future taxable income. These tax losses are subject to approval by the tax authorities of place of operation of the Company and the subsidiaries. Unrecognised tax losses of HK$14,450,000 (2009: HK$12,625,000) have no expiry date and the remaining losses will expire at variable dates up to and including 2014.

The Group is subject to withholding tax at the rate of 10% (unless reduced by treaty) on distributions of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred tax liabilities amounted to HK$992,000 (2009: HK$906,000) have been provided for in this regard based on the expected dividends to be distributed from the Group's foreign-invested enterprises in the foreseeable future in respect of the profits generated after 31 December 2007.

20 Accounts payable

The aging analysis of accounts payable based on invoice date is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**19,532**	15,870
31 – 60 days	**204**	1,396
61 – 90 days	**97**	351
91 – 120 days	**137**	33
Over 120 days	**446**	495
	20,416	18,145

20 Accounts payable *(continued)*

The carrying amounts of the Group's accounts payable are denominated in the following currencies:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong dollar	**4,627**	3,622
Renminbi	**14,424**	11,288
US dollar	**1,288**	2,821
Other currencies	**77**	414
	20,416	18,145

21 Other gains/(losses), net

	2010	2009
	HK$'000	*HK$'000*
Fair value gains/(losses) on investment properties	**2,218**	(1,181)
Negative goodwill on acquisition of additional interest in a subsidiary	**–**	248
Gain/(loss) on closures of subsidiaries and a branch	**1,174**	(157)
Net loss on disposal of property, plant and equipment	**(493)**	(106)
	2,899	(1,196)

Notes to the Financial Statements

22 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**1,595**	1,635
Amortisation of leasehold land and land use rights *(Note 6)*	**962**	974
Raw materials and consumables used	**233,024**	256,418
Changes in inventories of finished goods, and work in progress	**1,079**	18,278
Depreciation of property, plant and equipment *(Note 7)*	**65,988**	71,130
Direct operating expenses arising from investment properties that generate rental income	**275**	228
Rental compensation arising from restructuring *(note 24)*	**266**	730
Employee benefit expenses (including directors' emoluments) *(Note 23)*	**143,169**	182,451
Net exchange losses/(gains)	**125**	(216)
Operating lease rentals	**2,726**	4,164
Provision for impairment of accounts receivable *(Note 13)*	**4,333**	1,009
Impairment/write off of property, plant and equipment arising from restructuring *(Note 24)*	**519**	945
Impairment loss of available-for-sale financial assets	**–**	320
Other expenses	**60,612**	87,594
Total cost of sales, distribution and selling expenses and general and administrative expenses	**514,673**	625,660

23 Employee benefit expenses

	2010	2009
	HK$'000	*HK$'000*
Wages and salaries	**131,407**	164,240
Pension costs – defined contribution plans *(Note a)*	**9,094**	12,695
Staff welfare	**1,070**	1,204
Compensation to employees arising from restructuring	**1,598**	4,312
	143,169	182,451

23 Employee benefit expenses *(continued)*

(a) Pensions – defined contribution plans

The Group has arranged for certain of its employees (including executive directors) in Hong Kong to participate in a defined contribution provident fund under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"), which is managed by an independent trustee. Each of the Group and its employees make monthly contributions to the scheme at 5% to 10% and 5%, respectively of the employees' basic salaries. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the Group's employer contributions and the accrued interest thereon upon retirement or leaving the Group after completing one year of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the Group's employer contribution. This scheme is not available to new employees effective 1 December 2000.

From 1 December 2000, companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% to 10% and 5%, respectively of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance with the maximum mandatory contributions by each of the Group and its employees limited to HK$1,000 per month and thereafter contributions are voluntary. The mandatory contributions are fully and immediately vested in the employees as accrued benefits. The employees are entitled to receive their entire voluntary contributions and 100% of the Group's employer voluntary contributions upon retirement or leaving the Group after completing one year of service. The forfeited voluntary contributions made by the Group are used to reduce the Group's employer voluntary contributions.

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans at rates of approximately 12% to 33% of the basic salaries of its employees in Mainland China and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

The employees of the Company's subsidiary in Singapore are members of the Central Provident Funds (the "Funds") operated by the government of Singapore. The subsidiary contributes to the Funds approximately 14.5% of the salaries of its employees, and has no further obligation for the actual payment of pensions or post-retirement benefits beyond the contributions.

23 Employee benefit expenses *(continued)*

(a) Pensions – defined contribution plans *(continued)*

During the year ended 30 April 2010, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$9,094,000 (2009: HK$12,695,000), with no deduction of forfeited contributions (2009: Nil). As at 30 April 2010, there were no material forfeitures available to offset the Group's future contributions.

(b) Directors' and senior management's emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Directors' fees for independent non-executive directors	**2,238**	2,226
Other emoluments for executive directors		
– basic salaries, allowances and other benefits in kind	**3,508**	3,068
– contributions to pension schemes	**271**	274
	6,017	5,568

No directors waived any emoluments during the year (2009: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

23 Employee benefit expense *(continued)*

(b) Directors' and senior management's emoluments *(continued)*

The remuneration of the Directors for the year ended 30 April 2010 is set out below:

	Fees	Basic salaries and allowances	Employer's contribution to pension schemes	2010 Total	2009 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Mr. Lam Wai Chun	–	1,206	100	1,306	1,101
Ms. Tang Fung Kwan	–	1,426	132	1,558	1,650
Ms. Li Hong	–	599	25	624	591
Mr. Chung Wai Kin (appointed on 29 September 2009)	–	277	14	291	–
Independent non-executive directors:					
Dr. Tang Tin Sek	498	–	–	498	491
Mr. Au Son Yiu	480	–	–	480	475
Mr. Lee Wing Kwan, Denis	420	–	–	420	420
Mr. Goh Gen Cheung	420	–	–	420	420
Professor Zhu Yuhe	420	–	–	420	420
	2,238	3,508	271	6,017	5,568

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2009: two) individuals during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	1,083	1,055
Contributions to pension schemes	36	74
	1,119	1,129

23 Employee benefit expense *(continued)*

(c) Five highest paid individuals *(continued)*

The emoluments fell within the following band:

	Number of individuals 2010	2009
Emolument bands		
Nil to HK$1,000,000	**2**	2

No emoluments were paid to individuals as an inducement to join the Group or as compensation for loss of office.

24 Restructuring cost

During the years ended 30 April 2009 and 2010, the Group underwent a restructuring exercise whereby certain manufacturing and distribution facilities were consolidated and certain factories were closed. As a result of such exercise, the Group incurred additional expenses of approximately HK$2,383,000 (2009: HK$5,987,000), details of which are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Additional employees' compensation as a result of redundancy	**1,598**	4,312
Impairment/write off of property, plant and equipment	**519**	945
Rental compensation arising from restructuring	**266**	730
	2,383	5,987

The above expenses were charged to other general and administrative expenses *(Note 22)*.

25 Finance costs

	2010 *HK$'000*	2009 *HK$'000*
Interest expense on:		
– Bank borrowings wholly repayable within five years	**7,268**	12,524
– Finance lease liabilities	**–**	19
Total interest expense incurred during the year	**7,268**	12,543
Amortisation of loan arrangement costs	**798**	1,575
Finance costs	**8,066**	14,118

26 Taxation

The amount of taxation charged to the consolidated income statement represents:

	2010 HK$'000	2009 HK$'000
Hong Kong profits tax		
– current tax	6,745	–
– under provision in prior years	–	58
Overseas taxation including Mainland China		
– current tax	2,628	2,665
– under/(over) provision in prior years	69	(514)
Deferred taxation *(Note 19)*	(2,166)	(3,379)
Total taxation	7,276	(1,170)

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12.5% to 25% (2009: 12.5% to 25%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the domestic tax rates in the respective territories is as follows:

	2010 HK$'000	2009 HK$'000
Profit/(loss) before taxation	17,567	(25,972)
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	3,132	(5,176)
Tax effect on income not subject to taxation	(207)	(149)
Tax effect on expenses not deductible for taxation purposes	2,388	2,217
Utilisation of previously unrecognised tax losses	(516)	(209)
Unrecognised tax losses	1,943	1,784
Under/(over) provision in prior years	69	(456)
Change of tax rates	–	(436)
Withholding tax on unremitted profit	85	906
Others	382	349
	7,276	(1,170)

Notes to the Financial Statements

27 Profit for the year of the Company

There is no profit/loss of the Company dealt with in the financial statements of the Company for the years ended 30 April 2010 and 30 April 2009.

28 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit for the year of the Company of approximately HK$10,291,000 (2009: loss of HK$24,802,000) and the weighted average number of 716,610,798 (2009: 716,610,798) shares in issue during the year.

For the years ended 30 April 2010 and 30 April 2009, diluted earnings/(loss) per share equals basic earnings/(loss) per share as there was no dilutive potential share.

29 Dividend

At a meeting of the Board of the Company held on 9 August 2010, the Board resolved not to propose any final dividend for the year ended 30 April 2010 (2009: Nil).

30 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2010 ***HK$'000***	2009 *HK$'000*
Profit/(loss) for the year	**10,291**	(24,802)
Adjustments for:		
– Taxation	**7,276**	(1,170)
– Interest income	**(55)**	(470)
– Interest expense	**7,268**	12,543
– Amortisation of loan arrangements costs	**798**	1,575
– Amortisation of leasehold land and land use rights	**962**	974
– Depreciation of property, plant and equipment	**65,988**	71,130
– Loss on disposal of property, plant and equipment	**493**	106
– Impairment/write off of property, plant and equipment	**519**	945
– Impairment loss of available-for-sale financial assets	**–**	320
– Impairment of accounts receivable	**4,333**	1,009
– Fair value (gains)/losses on investment properties	**(2,218)**	1,181
– Others	**(1,174)**	–
	94,481	63,341
Changes in working capital:		
– Decrease in inventories	**9,725**	23,632
– (Increase)/decrease in accounts receivable	**(11,433)**	56,700
– (Increase)/decrease in prepayments, deposits and other receivables	**(1,915)**	3,050
– Increase/(decrease) in accounts payable	**2,240**	(27,705)
– Decrease in accruals and other payables	**(689)**	(14,427)
Cash generated from operations	**92,409**	104,591

30 Notes to the consolidated statement of cash flows *(continued)*

(a) Cash generated from operations (*continued*)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprises:

	2010	2009
	HK$'000	*HK$'000*
Net book value	**1,490**	285
Loss on disposal of property, plant and equipment	**(493)**	(106)
Proceeds from disposal of property, plant and equipment	**997**	179

(b) Analysis of the balance of cash and cash equivalents

	2010	2009
	HK$'000	*HK$'000*
Cash and cash equivalents	**27,080**	30,212
Bank overdrafts	**(7,161)**	–
	19,919	30,212

31 Commitments and contingent liabilities

(a) Capital commitments in respect of leasehold land and property, plant and equipment:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for	**4,548**	725

The Company did not have significant capital commitments as at 30 April 2010 (2009: Nil).

(b) Operating lease commitments – where the Group is the lessee

At 30 April 2010, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2010	2009
	HK$'000	*HK$'000*
Not later than one year	**815**	2,455
Later than one year and not later than five years	**250**	245
	1,065	2,700

31 Commitments and contingent liabilities *(continued)*

(c) Operating leases – where the Group is the lessor

At 30 April 2010, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2010	2009
	HK$'000	*HK$'000*
Note later than one year	**1,574**	811
Later than one year and not later than five years	**726**	252
	2,300	1,063

32 Banking facilities and pledge of assets

As at 30 April 2010, the Group had aggregate banking facilities of approximately HK$345,836,000 (2009: HK$459,163,000) for overdrafts, loans and trade financing, factoring of accounts receivable, foreign exchange treasury facilities etc. Unused facilities as at the same date amounted to approximately HK$163,301,000 (2009: HK$200,789,000). These facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries.

As at 30 April 2010, certain of the Group's banking facilities were secured by:

(a) pledges of the Group's available-for-sale financial assets of approximately HK$8,337,000 (2009: HK$8,040,000) *(Note 11)*;

(b) pledges of the Group's accounts receivable of approximately HK$26,596,000 (2009: HK$15,141,000) *(Note 13)*; and

(c) pledges of the Group's bank deposits of approximately HK$25,680,000 (2009: HK$27,690,000) *(Note 14)*.

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

33 Related party transactions

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group or its parent.

Except as otherwise stated, during the year, the Group had the following related party transactions:

		2010	2009
		HK$'000	*HK$'000*
(a)	Rental expenses paid to a related company which is owned by a director of the Company	**477**	283

(b) Key management compensation is as below:

	2010	2009
	HK$'000	*HK$'000*
Wages and salaries	**5,220**	5,967
Pension costs – defined contribution plans	**362**	478
	5,582	6,445

Schedule of Principal Investment Properties

As at 30 April 2010

All properties held for investment are under medium-term lease which directors consider material:

Residential Use:

a. Flat H on 23rd Floor of Tower 5 of Aegean Coast No. 2 Kwun Tsing Road, Tuen Mun, New Territories, Hong Kong.

b. Flat G on 29th Floor of Tower 8 of Aegean Coast No. 2 Kwun Tsing Road, Tuen Mun, New Territories, Hong Kong.

c. Flat No. 4 on 24th Floor of Block F, Amoy Gardens, Phase I, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong.

d. Flat No. 1 on 5th Floor of Block B, Amoy Gardens, Phase I, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong.

e. Flat No. 6 on 4th Floor of Block B, Amoy Gardens, Phase I, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong.

f. Flat No. 6 on 1st Floor of Block L, Amoy Gardens, Phase III, No. 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon, Hong Kong.

g. Flat E on 19th Floor, Ka Yan Mansion (Block A), Jade Field Garden, No. 17 Ngau Tau Kok Road, Kowloon Bay, Kowloon, Hong Kong.

Industrial Use:

h. Workshop B on 6th Floor and Car Parking Space No. L6 on Ground Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

i. Workshop I on 14th Floor and Roof I, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

j. Workshop A on 6th Floor, Hing Win Factory Building, No. 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

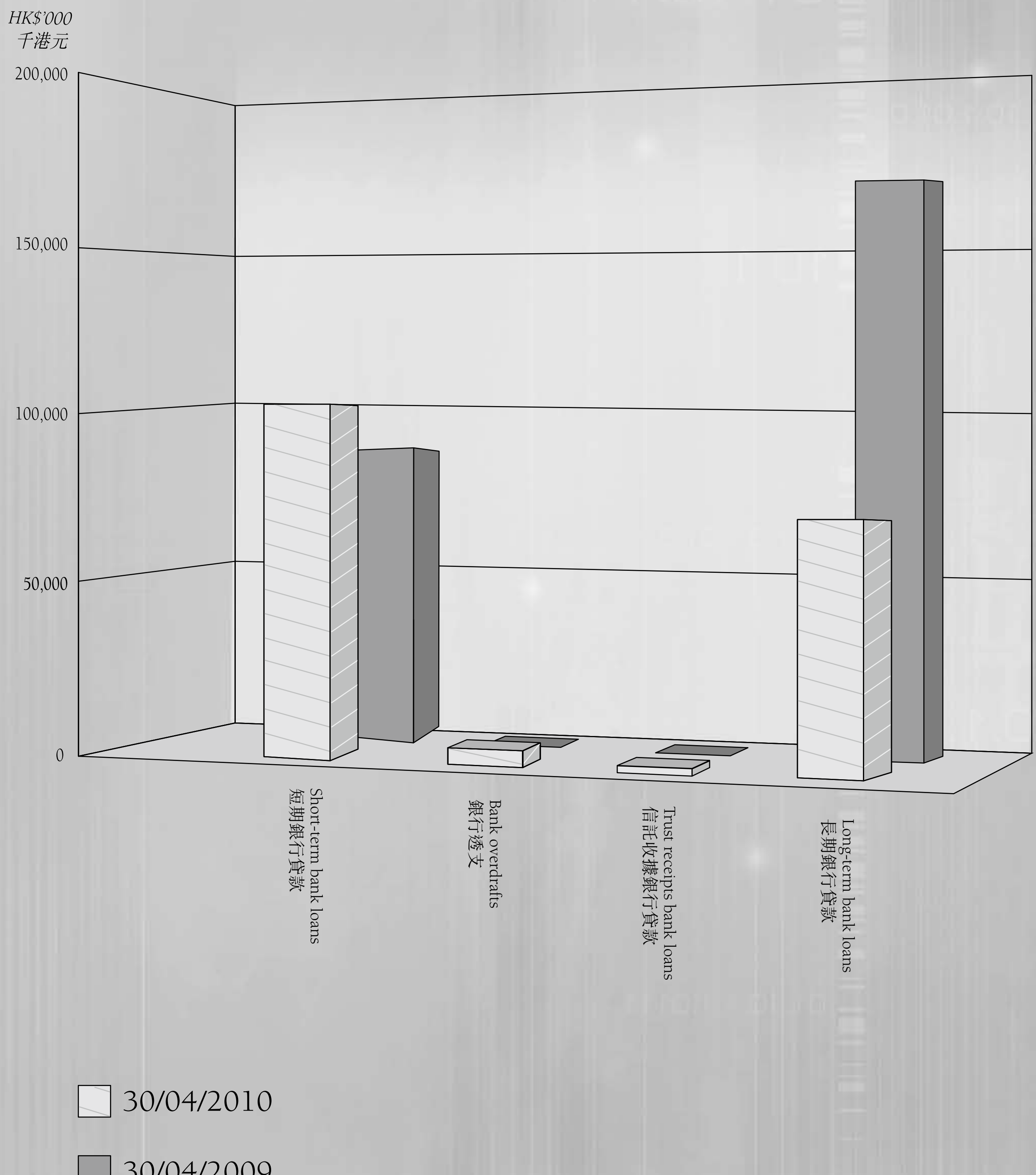
Summary

of credit facilities utilisation

融資信貸動用摘要

As at 30 April 2010

於2010年4月30日



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